HEALTH SERVICES AND DEVELOPMENT AGENCY
NOVEMBER 18, 2015
APPLICATION SUMMARY

NAME OF PROJECT:	Baptist Memorial Hospital Satellite ED Lakeland
PROJECT NUMBER:	CN1508-037
ADDRESS:	Unaddressed site near intersection of Highway 64 and Canada Road Lakeland, TN (Shelby County), Tennessee 38002
LEGAL OWNER:	Baptist Memorial Hospital 6019 Walnut Grove Road Memphis (Shelby County), TN 38120
OPERATING ENTITY:	N/A
CONTACT PERSON:	Arthur Maples, Director Strategic Analysis (901) 227-4137
DATE FILED:	August 14, 2015
PROJECT COST:	$ 18,718,029
FINANCING:	Combination of Cash Reserves and Facility Lease
PURPOSE OF REVIEW:	Establishment of a satellite emergency facility with 10 treatment rooms

DESCRIPTION:

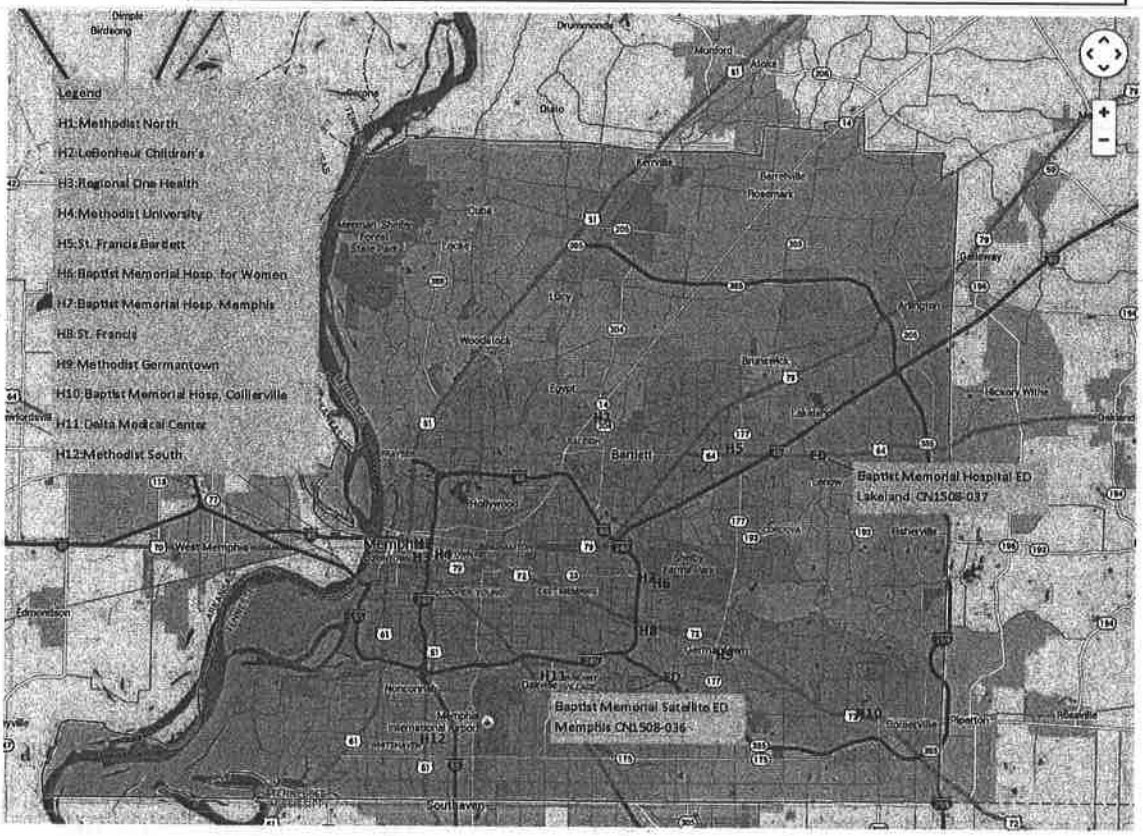
Baptist Memorial Hospital (BMH) is a non-profit hospital with 927 combined licensed acute care beds, including Baptist Memorial Hospital-Memphis (706 beds), Baptist Memorial Hospital-Collierville (81 beds) and Baptist Memorial Hospital for Women (140 beds). The applicant seeks approval for the establishment of a satellite emergency department (ED) containing 10 treatment rooms in a 1-story 25,698 square foot building to be constructed on a 12.9 acre site near the intersection of Highway 64 and Canada Road, in Lakeland (Shelby County), a distance of approximately 12.3 miles northeast of BMH's 54-room ED on the main hospital campus in Memphis. The applicant's proposed satellite ED will serve an 11 zip code primary service area and will be operated under

BMH's license but will be developed, operationalized, and marketed through a joint operation agreement between BMH and Regional One Health.

Note to Agency Members: The applicant has also filed a second or "companion" application, Baptist Memorial Hospital Satellite ED Memphis, CN1508-036, for the establishment and operation of a 12-room Satellite ED located on a 3 acre site at 6525 Quince Road in Memphis, TN, 38119, a distance of approximately 6.3 miles south from the BMH main hospital campus.

A map is provided on page 19 of the application that shows the location of the proposed facility and its 11 zip code primary service area (PSA). The following map and chart identify the location of the proposed satellite EDs and the location of other existing hospitals with emergency rooms in Shelby County.

Map of Shelby County Hospitals and Proposed Satellite EDs



Source: Google Maps

Mileage and Drive Time from Current Hospital ED sites to Proposed ED sites in Shelby County					
		To Baptist Memorial Satellite ED, 6525 Quince Rd.		To Baptist Memorial Hospital ED Lakeland Intersection of Hwy. 64 and Canada Road	
Hospital	**Zip Code**	**Miles**	**Minutes**	**Miles**	**Minutes**
Methodist North	38128	15.2 miles	18 min.	11.1 miles	21 minutes
LeBonheur Children's	38103	16.8 miles	20 min.	23.0 miles	26 min.
Regional One Health	38103	16.7 miles	20 min.	23.0 miles	26 min.
Methodist University	38104	16.1 miles	19 min.	22.9 miles	26 min.
St. Francis Bartlett	38133	14.9 miles	19 minutes	4.1 miles	8 min.
Baptist Memorial for Women	38120	6.8 miles	9 min.	12.7 miles	16 min.
Baptist Memorial Hospital Memphis	38120	6.3 Miles	8 min.	12.3 miles	15 min.
St. Francis	38133	14.9 miles	19 min.	4.1 miles	8 min.
Methodist Germantown	38138	3.7 miles	9 min.	11.6 miles	22 min.
Baptist Memorial Hosp. Collierville	38120	10.8 miles	15 min.	12.5 miles	21 min.
Delta Medical Center	38118	6.8 miles	10 min.	19.2 miles	24 min.
Methodist South	38116	14.0 miles	19 min.	26.4 miles	33 min.

Source: Bing Maps

As can be seen from the map and table above the proposed satellite ED is approximately 12.3 miles northeast of Baptist Memorial Hospital and 23.0 miles northeast of Regional One Health. It is 12.5 miles north of Baptist Memorial Hospital-Collierville, and 4.1 miles east of St. Francis-Bartlett.

The proposed 10-room BMH Satellite ED Lakeland facility will be a full-service, 24-hour, physician-staffed facility with full-time emergency and diagnostic and treatment services provided in a manner consistent with existing BMH emergency departments at BMH's main hospital campus (54 rooms) and its BMH-Collierville satellite facility (13 ED rooms). Emergency medical physician and advanced nurse practitioner staffing will be provided by Team Health, the same contract physician group that currently staffs BMH's emergency departments at its hospitals in Memphis. A letter of support from John Proctor, M.D, President of Team Health's Central Group, is provided on page 38 of the application.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

Note to Agency members: There are currently no standards and criteria in the State Health Plan specific to emergency departments.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

3. For renovation or expansion of an existing licensed healthcare institution:

a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

The applicant expects adequate demand for the project as a result of several factors including: a 5.2% population increase from 2015 to 2020 in the proposed 11-zip code primary service area (PSA) in Shelby County, improved access to emergency care services by residents of the 11-zip code PSA that BMH and Regional One already serve, and continued growth in ED visits in excess of capacity at their existing emergency departments. The applicant projects the proposed satellite ED and BMH's main ED would have the capacity to meet demand for an additional 3,190 ED visits, from 64,000 in 2015 (main ED only) to a combined total of 67,190 in 2017 (Year 1 of the project).

Note to Agency members: According to 2013 data from the Hospital Discharge Data Survey (HDDS) maintained by the Department of Health, there were 63,425 total visits by residents of the proposed 11-ZIP Code primary service area PSA at hospital EDs in 2013, including 57,085 at Shelby County hospitals, 5,432 visits at Fayette County hospitals, and 51 visits at Tipton County hospitals. The HDDS visit totals include a "roll up" of 1,822 visits for hospitals that reported 50 or fewer ED resident PSA encounters during the period. Of the 57,085 Shelby County hospital ED visits, 8,789 were at BMH and 2,250 at Regional One, for an estimated market share of approximately 15.4% and 3.9%, respectively, in 2013. As an additional note, the Patient Destination Report provided by TDH from the HDDS did not appear to include ED visits of residents admitted as hospital inpatients- it only appears to apply to residents of the PSA who were treated and released from the ED.

There are currently no criteria and standards specific to satellite emergency departments in the service area.

Based upon these general criteria for construction, renovation, and expansion, it appears that this criterion has been met.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The applicant states the proposed satellite ED will provide additional BMH emergency department capacity to meet continued increases in ED visits in excess of volumes projected in prior expansion projects, including a $14 million project approved in CN0711-091A and completed in 2011 to renovate the department and increase from 50 to 54 ED rooms. The applicant states that the main hospital ED has reached capacity and further expansion on the campus could be costly and disruptive to patient care. Further, the proposed ED provides better access and proximity to residents of the 11 zip code service area.

There are currently no criteria and standards specific to satellite emergency departments in the service area.

Based upon these general criteria for construction, renovation, and expansion only, it appears that this criterion has been met.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

The applicant is seeking Certificate of Need approval for the establishment of a satellite emergency department (ED) to be operated under the license of Baptist Memorial Hospital (BMH), a 706 bed non-profit hospital located in Memphis (Shelby County), Tennessee. The satellite ED will be located in a newly constructed 25,698 square foot (SF) single story building on a 12.9 acre site recently acquired by BMH near the intersection of Highway 64 and Canada Road in Lakeland (Shelby County), TN. The site is in the 38002 (Arlington) zip code community in northeast Shelby County, 1 of the 11 total zip code communities included in the primary service area (PSA) of the project, approximately 12.3 miles northeast of BMH's main campus. For locations of the proposed satellite ED facility and its 11 zip code PSA, nearby hospitals with EDs in Shelby County, and distances/drive times, please see pages 20, 26 and 27 of the applicant's 8/31/15 supplemental response.

BMH's proposed satellite ED will provide a full range of Level 1- level 5 emergency care services 24 hours-a-day, 7 days a week to adult and pediatric patients as well as ancillary services, including, but not limited to, medical lab, X-Ray, CT, and ultrasound imaging services. Magnetic Resonance Imaging (MRI) services may be available by March 2016 at an outpatient diagnostic center being developed by Regional One Health

in an existing building adjacent to the applicant's proposed BMH Satellite ED-Memphis facility at 6525 Quince Road in Memphis, approximately 12 miles to the southwest. The ODC with MRI (fixed/stationary 1.5 Tesla GE Optima wide-bore unit) was approved in Regional One Health Imaging, CN1406-024A, and, when complete, will also provide other imaging services not requiring a Certificate of Need such as mammography, CT and ultrasound. As a whole, the Regional One building will contain imaging services, physician offices and other medical services focusing on a "Medical Neighborhood" concept.

The applicant plans to serve residents from an 11 zip code primary service area (PSA), including the following zip codes: 38002 (Arlington), 38016 (Cordova), 38018 (Cordova), 38028 (Eads), 38049 (Mason), 38060 (Oakland), 38068 (Somerville), 38076 (Williston), 38138 (Memphis), 38134 (Memphis) and 38135 (Memphis). Please refer to the service area map of the PSA on page 19 of the application and the map on page 26 in the August 31, 2015 supplemental response for more detailed information.

The proposed facility will contain space for 10 treatment rooms with CT, ultrasound, X-Ray, and laboratory services to support the emergency care provided. Of the 10 rooms, 8 will be used as exam rooms, including a secure holding room for psychiatric patients and an isolation room. The remaining 2 rooms will be set and equipped for trauma and gynecological patients. The building will also contain areas for patient waiting, security, administration and staff support activities, medical home consultation, community education, and an ambulance vestibule. The facility will have canopied walk-in and ambulance entries. A description of the layout of the facility is provided on pages 21 and 22 of the 8/31/15 supplemental response.

An overview of the project is provided in the Executive Summary on pages 4-6 of the original application. If approved, the satellite emergency department is projected to open in February 2017.

Note to Agency Members: As noted in the introduction above, Baptist Memorial Hospital has filed a companion application, Baptist Memorial Hospital Satellite ED Memphis, CN1508-036, that will also be heard at the November 18, 2015 Agency Meeting. The application is for a 12-room satellite emergency department facility in a 25,698 gross square foot 1-story building to be constructed on a 3 acre site at 6525 Quince Road in Memphis (Shelby County), a distance of approximately 6.8 miles south of BMH's main hospital campus. The proposed BMH Memphis Satellite ED facility is in the 38119 zip code community, one of 8 total zip code communities included in the proposed primary service area of the project.

As a whole, the applicant has filed CON applications for 2 satellite ED facilities to be constructed on sites that are approximately 12-13 miles apart from one another and

within approximately 7-15 miles of Baptist Memorial Hospital's main campus ED. The 2 facilities will have a total of 22 total treatment rooms, will serve 19 zip code communities in Shelby County, and will be operated under Baptist Memorial Hospital's license. The map on page 26 of the August 31, 2015 supplemental response shows the locations of the proposed facilities, the combined 19 Zip Code PSA, and the locations of nearby Shelby County hospitals with emergency departments.

Of interest, both satellite ED projects involve a collaborative initiative between Baptist Memorial Hospital and Regional One Health (Regional One) through a joint operating agreement (JOA) focusing on the development, operation, and marketing of the 2 facilities. The applicant states that benefits of the JOA include combined support for clinical and business operations, the addition of new emergency medical services capacity in Shelby County, and the establishment of innovative approaches to treatment and preventative care.

Ownership

The proposed satellite ED will be operated under the license of Baptist Memorial Hospital (BMH). As noted on page 6 of Supplemental 1, the facility will be developed, operationalized and marketed as a part of the project through an emergency services joint venture between BMH and Shelby County Health Care Corporation d/b/a Regional One Health (Regional One).

Highlights of the ownership of the applicant are noted as follows:

- Baptist Memorial Hospital, a 706 licensed bed non-profit hospital, was originally formed as a Tennessee corporation on March 29, 1924.
- BMH is a wholly owned subsidiary of Baptist Memorial Health Care Corporation (BMHC). As noted in the organizational chart on page 66 of the application, the parent corporation has financial interests in multiple health care entities in West Tennessee, including 8 hospitals, 7 ASTCs, and 4 home health agencies.
- BMH and Regional One formed The Highway 64 and Canada Road JOA No. 2, LLC on August 12, 2015 as a part of the joint venture agreement to house and/or lease the real estate and equipment to be used at the satellite facility and provide a structure to capitalize the project.
- Documentation of the joint venture LLC between the parties is provided in attachment Section A-3 of the application. Additional clarification and documentation is provided on page 4 of Supplemental 1.
- The licensed and staffed bed complement of Baptist Memorial Hospital is 706 and 549 beds, respectively.
- BMH's combined license for its main hospital campus and BMH-Collierville and BMH for Women satellite hospital facilities consists of 927 license and 771 staffed beds *(page 3A of the application).*

- Review of the calendar year (CY) 2013 Joint Annual Report maintained by the Tennessee Department of Health revealed that 545 beds were staffed on the last day of the reporting period. Based on 163,128 total discharge inpatient days, BMH's licensed and staffed hospital bed occupancy was 63.3% and 82.0%, respectively, in CY 2013.

Note to Agency Members: The following provides the Department of Health's definition of the two bed categories pertaining to occupancy information provided in the Joint Annual Reports:

Licensed Beds - The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).

Staffed Beds - The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.

Note to Agency Members: The applicant identified 11 urgent care centers near the proposed facility on page 37 and 38 of Supplemental 1 within 4 to 15 miles of the proposed Lakeland satellite ED, including 3 "Baptist Minor Medical Clinics" operated by the Baptist Memorial Health Care Corporation. A description of the differences between a satellite ED and an urgent care center, including the types of major clinical conditions treated by both types of providers, is provided on pages 99 and 100 of Supplemental 1. A Certificate of Need is not required for an urgent care center.

Facility Information

- The total gross square footage (SF) of the proposed new 1-story building is 25,698 square feet. A floor plan drawing is included in the attachments to the application.
- The proposed 10-room ED will contain a lab, 8 treatment and exam rooms, including 2 rooms that can be used for a secure holding room for psychiatric patients and an isolation room, one trauma room and one room for gynecological patients. Also included in the design are 2 triage stations, 1 decontamination station and separate rooms for CT, ultrasound and X-ray imaging services. A discussion of key features of the facility and a table showing the use of the rooms is provided on pages 21 and 22 of Supplemental 1.
- A main entrance at the front of the building opens to patient reception, registration, security and a waiting area. A separate covered entrance for ambulance is located on the rear of the building.

- The proposed satellite ED will occupy a 12.9-acre tract of land recently acquired by Baptist Memorial Hospital from a private landowner effective August 5, 2015. A copy of the Purchase and Sale Agreement and a Plot Plan of the property is provided in the application attachments.
- Besides the clinical treatment areas, the facility will include a central nurse station with direct observation of the treatment room and stations, support spaces, a staff lounge, offices, a medical home consultation room, and a community education room.
- BMH currently has an agreement with MedicOne to provide ambulance transfer services. Initially the ambulance service will be located at the proposed facility or on call 11.2 miles southwest on BMH's main hospital campus. (*Note: the applicant states that an ambulance may be stationed at the proposed satellite ED on a 24/7 basis once some experience is gained about patient needs*).
- In designing the facility, the applicant referenced the 2014 edition of Guidelines for Design and Construction of Hospital and Outpatient Departments. The applicant also referenced guidelines published by the American College of Emergency Physicians (ACEP) that it used in its $14 million project (CN0711-091A) to renovate and expand its main campus ED from 50-54 rooms (Emergency Department Design, A Practical Guide to Planning for the Future).
- The proposed satellite ED will be open 24 hours/day, 7 days/week, and 365 days/year.

Note to Agency Members: The chart below outlines the American College of Emergency Medicine latest Guidelines for high and low estimates for emergency department areas and beds. The applicant's proposed 10 bed satellite ED as compared to the latest ACEP guidelines based on 10,000 annual ED visits reflect the following:

- ***The proposed Satellite Emergency Department gross square footage of 25,698 is above the high range of 9,900 department gross square footage (dgsf) area for an emergency ED.***
- ***The applicant's projected annual visits of 478 per bed in Year 1 based on 4,776 ED visits is significantly below the ACEP's low range of 1,250 visits per bed.***
- ***The applicant's estimated area/bed of 2,570 dgsf/bed is significantly above the 900 dgsf/bed by ACEP guidelines.***
- ***According to the current ACEP guidelines, the design of applicant's proposed 10-room, 25,698 gross SF satellite ED appears to fall within the target range designed for an emergency department with 25-33 rooms capable of handling approximately 40,000 ED visits/year.***
- ***In January 2016, a revised publication of the Emergency Department Design: A Practical Guide to Planning is planned to be released. The publication will have a section dedicated to freestanding emergency departments.***

Emergency Department Design: A Practical Guide to Planning, 2002, American College of Emergency Physicians-High and Low Estimates for dept. areas and beds							
Projected Annual Visit	***Dept. Gross Area***		***Bed Quantities***				
	Low Range	*High Range*	*Low Range Bed Qty.*	*Low Range Visits/Bed*	*High Range Bed Qty.*	*High Range Visits/Bed*	*Estimated Area /Bed*
10,000	*7,200 dgsf*	*9,900 dgsf*	*8*	*1,250*	*11*	*909*	*900 dgsf/bed*
Applicant-BMH-Memphis Satellite ED							
Projected Visits Yr. 1	*Total Gross Square Footage*		*Beds*		*Visits Per Bed*		*Estimated Area /Bed*
4,776	*25,698*		*10*		*478*		*2,141 dgsf/bed*

Source: Emergency Department Design: A Practical Guide to Planning, 2002, American College of Emergency Physicians, Page 71, Figure 6.5. and CN1508-036.

Project Need

The rationale for this project provided by the applicant includes the following:

- The applicant notes demand for additional ED capacity at the BMH main hospital ED and Regional One ED based on increasing growth in ED visits at the hospitals by residents of the proposed 11 Zip Code service area.
- As noted on page 20 of the application, ED visits by residents of the PSA at the 2 hospitals increased by approximately 11.1% from 15,795 ED visits in 2011 to 17,544 combined ED visits in 2014.
- The applicant believes the proposed facility will provide better access to emergency services closer to residents of the 11-Zip Code PSA living, working, or driving through areas northeast of the BMH main hospital campus.
- The applicant believes the proposed satellite facility will provide additional ED treatment room capacity to meet demand as measured by approximately 4,776 ED visits in the first year of the project.
- BMH expects utilization of its 54-room main hospital ED to increase by approximately 3.8% from 60,274 total ED visits (1,116 visits/room) in 2013 to 62,542 total visits (1,158 visits/room) in 2014.

Service Area Demographics

The primary service area (PSA) of the proposed satellite ED consists of 11 zip code communities located in Shelby County. Of these, 2 zip code communities in Cordova (38016 and 38018) fall in the highest, "Top Ten" range of BMH"s emergency department

visits by resident zip code in 2013. Maps of the proposed 11-Zip Code PSA are provided on page 19 of the application and page 26 of Supplemental 1.

- The total population of the 11-Zip Code PSA is expected to increase by approximately 5.2% from 257,102 residents in CY 2015 to 270,494 residents in CY 2020.
- Residents of the PSA are expected to account for approximately 26.9% of Shelby County's population in CY 2015.
- According to the population projections published by the Tennessee Department of Health using data from the U.S Census Bureau, the total population of Shelby County is expected to increase by 2.3% from 953,899 residents in CY 2015 to 975,626 residents in CY 2016.
- The overall statewide population is projected to grow by 4.5% from CY2015 to CY2019.
- The latest 2015 percentage of Shelby County residents enrolled in the TennCare program is approximately 28.3% compared to 21% statewide.

Service Area Patient Origin

As noted, residents of the applicant's proposed 11-Zip Code primary service area are expected to account for approximately 4,776 ED visits at the proposed satellite ED facility in Year 1.

The applicant provided patient origin by zip code of residence for the BMH's main ED and Regional One Health's ED in the application. A description of the 11-Zip Code PSA with map and the utilization of the 2 hospitals by residents of the PSA is provided on pages 18 – 21 of the application. Additional clarification of the service area is provided in the response to Items 10 and 11 on pages 25-30 of Supplemental. BMH's emergency department utilization by residents of the 11-Zip Code PSA shown in the table on page 29 helps confirm patient origin based on ED visits by residents of the PSA in 2014. Patient origin of both the main hospital ED and the proposed satellite ED in Year 1 as provided by the applicant for the project is summarized in Table 1 below.

Table 1-BMH Main ED and Proposed Satellite ED Utilization by Residents of 11 Zip Code PSA

	BMH Main ED Patient Origin, 2013				BMH Main ED& Satellite ED Patient Origin, YR 1		
Zip Code	Resident ED Visits at BMH 2013	Resident Visits at all Hospital EDs 2013*	Resident Visits at BMH as a % of Resident Visits at all Hospital EDs	Zip Code	Main Hospital ED Year 1	Satellite ED Year 1	Combined ED Visits Year 1
38002	1,216	8,762	13.9%	38002	225	849	1,074
38016	2,391	11,941	20.1%	38016	1,165	879	2,044
38018	2,697	9,077	29.7%	38018	1,757	692	2,449
38028	315	1,633	19.3%	38028	80	131	211
38049	216	2,406	8.9%	38049	64	86	150
38060	406	3,149	12.9%	38060	86	188	273
38068	510	6,688	7.6%	38068	110	193	303
38076	40	336	11.9%	38076	1	14	15
38133	918	6,877	13.4%	38133	342	396	739
38134	2,870	17,192	16.7%	38134	1,667	771	2,438
38135	1,056	9,032	11.7%	38135	242	577	819
Total	12,635	77,093	16.4%	Total	5,739	4,776	10,515

Notes: Zip code 38002 (Arlington) is the site of BMH's proposed satellite ED. The applicant provided ED utilization using THA's Market IQ data base. However, 2013 in lieu of 2014 utilization was selected for this illustration because it was the most complete set of data available for all of the hospitals in the sample (visits at hospitals in Shelby, Fayette and Tipton Counties in 2013). Sources: Applicant's data provided by THA - Market IQ data request; Application, page 20 and Supplemental 1, pages 32-36 and 39.*

Table 1 reflects the following:

- Approximately 16.4% of the 77,093 total ED visits by residents of the 11-Zip Code PSA at hospital emergency departments in Tennessee took place at the applicant's main hospital ED in 2013.
- The applicant projects 10,515 combined ED visits by residents of the 11-Zip Code PSA at the main hospital ED and the proposed satellite ED facility in Year 1, a decrease from 12,635 ED visits at the main hospital campus in 2013.
- Visits by residents of zip code 38134 in Memphis accounted for the highest utilization of the total resident population living in the 11-Zip Code PSA in 2013.
- The 38018 (Cordova) zip code and the 38134 (Memphis) zip code communities are expected to account for the applicant's highest utilization by PSA residents in Year 1 of the project (2017).

Demographic data for the 11-Zip Code primary service area (PSA) is shown in the tables below.

11-Zip Code PSA of Proposed Satellite ED

	38002	38016	38018	38028	38049	38060	38068	38076	38133	38134	38135
2013 BMH Market Share	13.9%	20.1%	29.7%	19.3%	8.9%	12.9%	7.6%	11.9%	13.4%	16.7%	11.7%
2015 Projected Population	44,904	47,001	37,082	6,994	4,714	10,015	10,631	802	21,512	42,166	31,281
% Change, 2015-2020	3.7%	2.7%	2.5%	2.7%	0.1%	2.8%	-0.3%	-0.8%	1.2%	0.5%	1.4%
Median Household Income	$90,327	$66,845	$66,518	$91,209	$32,386	$60,656	$46,571	$50,083	$63,184	$47,529	$77,880
TennCare ED Visits 2013	939	2,025	1,441	182	705	467	1,952	64	1,450	4,298	1,507
Medicare ED Visits 2013	1,078	1,430	1,022	319	380	505	1,259	47	735	1,826	1,163
Commercial Insurance ED Visits 2013	4,168	4,885	3,600	583	486	1,141	1,175	95	2,204	4,973	3,582
Median Age	36	36	35	48	36	37	43	47	36	33	39
% Below Poverty Level	4.7%	6.9%	8.5%	5.4%	22.9%	7.5%	17.4%	10.0%	8.8%	11.1%	4.5%

Sources; US Census Bureau- American FactFinder, 2009-2013 Community Survey, original application page 22 and Supplemental 1 page 30; TDH 2013 Payor mix ED Visit report prepared Oct 2015 using 5 emergency services CPT codes.

Shelby County Service Area

Demographic Feature	Shelby County	Tennessee
2015 Population	953,894	6,649,438
2019 Population	975,626	6,894,997
Median Age	34.6	38.2
Median Household Income	$46,250	$44,298
TennCare Enrollees As a % of Population	28.3%	21.0%
Population Below Poverty level (2014)	20.8%	17.6%

Sources: TDH Population Projection Data Files, TennCare Bureau website; Census Bureau Quickfacts

Table 2 below identifies ED visits in 2013 at Tennessee hospitals by residents of the 11-zip code primary service area (PSA) based on data prepared for HSDA staff in October 2015 using the TDH hospital discharge data system (HDDS). The applicant's projected utilization in Year 1 (2017) is illustrated at the bottom row of the table.

Table 2-Hospital ED Visits by Residents of Proposed 8-Zip Code PSA, 2013

Hospital ED	*Total Resident ED Visits 2013	Hospital Market Share in 11-Zip Code PSA
Applicant (BMH)	8,789	13.8 %
BMH-Collierville	970	1.5%
Delta Medical Ctr.	298	0.5%
LeBonheur Children's Hospital	3,445	5.4%
Methodist University	1,114	1.8%
Methodist-Germantown	8,591	13.5%
Methodist-North	7,485	11.8%
Methodist-South	256	0.4%
St Francis Hospital	1,937	3.1%
St Francis-Bartlett	20,098	31.7%
Regional One Health	2,250	3.5%
BMH-Tipton	857	1.4%
Bolivar General Hospital	51	0.01%
Methodist-Fayette	5,432	8.6%
Other Hospitals < 50 visits	1,822	
Total	**63,425**	
BMH Satellite ED Visits-YR 1	***4,776***	

*Sources: Tennessee Department of Health, CY2013 Patient Destination report using hospital discharge data system and 2013 Joint Annual Report; Applicant's projected YR 1 satellite ED visits page 50, Supplemental 1. *Does not appear to include ED visits of patients admitted as inpatients or ED visits at hospitals in other states.*

Table 2 reflects the following:

- According to TDH's Patient Destination Report for this project using the hospital discharge data system, there were 63,425 total ED visits by residents of the 11-Zip Code PSA at Shelby County and hospital EDs in other Tennessee counties.
- Of the 63,425 total visits by residents of the 11-Zip Code PSA in 2013, hospitals with the highest market shares above 5% include Saint Francis-Bartlett (31.7%); BMH-Memphis (13.8%), Methodist-Germantown (13.5%), Methodist-Fayette (8.6%) and LeBonheur Children's Hospital (5.4%).
- If approved, the applicant estimates that residents of the 11-Zip Code PSA could have approximately 4,776 ED visits at the proposed BMH-Lakeland satellite ED in Year 1. This calculates to a potential market share of approximately 6.3% using

the applicant's estimate of 77,093 ED visits in 2013 by residents of the proposed 11-Zip Code PSA.

HSDA staff also reviewed patient origin and patient destination HDDS data for the individual ZIP Codes of the 11-ZIP Code primary service area prepared by the Tennessee Department of Health and determined the following:

- 38002-Arlington (Project Location)—796 or 11.2% of 7,139 residents went to the applicant's main campus ED in CY 2013. The highest use by residents was at Saint Francis Hospital-Bartlett (45.5%).
- 38016-Cordova—1,752 or 17.5% of 10,035 residents went to the applicant's main campus ED in CY 2013. The highest use by residents was at Saint Francis Hospital-Bartlett (36%).
- 38018-Cordova-1,988 or 27% of 7,274 residents went to the applicant's main campus ED in CY 2013. The next highest use by residents was at Methodist Hospital-Germantown (23%).
- 38028-Eads-197 or 16% of 1,261 residents went to the applicant's main campus ED in CY 2013. The highest use by residents was at Saint Francis Hospital-Bartlett (28.5%).
- 38049-Mason-105 or 5.2% of 2,037 residents went to the applicant's main campus ED in CY 2013. The highest use by residents was at Baptist Memorial Hospital-Tipton (42%).
- 38060- Oakland-211 or 8.3% of 2,564 residents went to the applicant's main campus ED in CY 2013. The highest use was at Methodist Hospital-Fayette (36%).
- 38068-Somerville—250 or 4.5% of 5,601 residents went to the applicant's main campus ED in CY 2013. The highest use was at Methodist Hospital-Fayette (68.4%).
- 38133-Memphis-677 or 11.7% of 5,772 residents went to the applicant's main campus ED in CY 2013. The highest use was at Saint Francis Hospital-Bartlett (54.3%).
- 38134-Memphis-2,111 or 14.9% of 14,157 residents went to the applicant's main campus ED in 2013. The highest use was at Saint Francis Hospital-Bartlett (29.3%) and Methodist Hospital-North (23.8%).
- 38135-Memphis-702 or 9.6% of 7,302 residents went to the applicant's main campus ED in 2013. The highest use was at Saint Francis Hospital-Bartlett (37.7%) and Methodist Hospital-North (28.3%).

- 38076-Williston-no residents used the applicant's main campus ED in 2013. The highest use was at Methodist Hospital-Fayette (51%).

Historical and Projected Utilization

Baptist Memorial Hospital provides emergency services on its hospital campus in Memphis. As noted, the last expansion of the ED on the hospital's main campus was completed in 2011 through the renovation of the department and expansion of ED rooms as approved in CN0711-091A (*increase from 50 to 54 ED rooms*). Utilization is shown in the table below.

Applicant's ED Utilization, 2012-2014

Hospital	2012	2013	2014	% change '12-'14	ED Rooms	ED Visits/Room (2014)
BMH Main Campus	58,333	60,274	62,451	7.1%	54	1,157/room

Source: application, page 23.

The applicant's historical and projected utilization is shown in the table below:

Applicant's Emergency Department Utilization, 2012-Year 2 (2018)

BMH Emergency Department	2012	2013	2014	% Change '12-'14	2017 YR 1	2018 YR 2
Main Campus ED	58,333	60,274	62,451	7.1%	62,414*	65,512*
Proposed Satellite ED					4,776	7,127
Total Visits	58,333	60,274	62,451		67,190	72,639
Rooms	54	54	54		64	64
Visits/Room	***1,080/RM***	***1,116/RM***	***1,157/RM***		***1,018/RM***	***1,100/RM***

**Note: the applicant's combined ED visits are identified in the Projected Data Chart on page 86 of Supplemental 1. The amounts for the BMH main campus ED are higher than the 57,086 projected ED in Year 1 shown in the table on page 38 of Supplemental 1.*

The table above reflects the following:

- Utilization of the Main ED increased by approximately 7.1% from 58,333 ED visits in 2012 to 62,451 total ED visits in 2014.
- By Year 2 of the proposed project, the applicant expects total BMH main ED visits to be at 62,414, relatively unchanged from the applicant's utilization in 2014.
- The applicant projects a 49% increase in the proposed Satellite ED's utilization from 4,776 ED visits in Year 1 (2017) to 7,127 visits in Year Two (2018).

- The combined utilization of the main ED and proposed satellite ED is expected to increase by approximately 8.1% from 67,190 total combined visits in 2017 to 72,639 visits (1,100 visits/room) in 2018.
- BMH's projected 54-room main ED utilization in Year 1 and Year 2 averages approximately 63,962 ED visits per year (1,184 visits/room) or 78.4% of the ACEP guideline.
- During ramp-up of the proposed 10-room satellite ED, projected utilization is 4,776 visits in Year 1 (477 visits/room) increasing to 7,127 visits in Year 2 (713 visits/room).

The applicant also provided clarification regarding projected utilization by level of care of the proposed satellite ED on page 38 of Supplemental 1. Definitions of same can be found on pages 113 - 116 in the original application. A comparison of the levels of care between BMH's main ED and both of the applicant's proposed satellite EDs is shown in the table below.

Applicant's ED Utilization by Level of Care

Level of Care	Main ED	as a % of total	BMH Memphis Satellite ED	as a % of total	BMH Lakeland Satellite ED	as a % of total
	2015		2017		2017	
Level I	2,089	3%	210	4%	189	4%
Level II	7,708	12%	650	12%	596	12%
Level III	20,120	31%	1,844	35%	1,584	33%
Level IV	18,743	29%	1,694	32%	1,492	31%
Level V	15,340	25%	930	17%	915	20%
Total	**64,000**	**100%**	**5,328**	**100%**	**4,776**	**100%**

Source: CN1508-037, Supplemental 1

The table above reflects the following:

- There is relatively little difference between patient emergency conditions treated at the main hospital campus ED and both proposed satellite ED sites.
- More severe and complex clinical conditions (Levels 4 and 5) appear to account for approximately 51% of patient visits at the proposed satellite ED and 54% of patient visits at the main ED in Year 1.
- More severe and complex clinical conditions (Levels 4 and 5) appear to account for approximately 54% of patient visits at both the main ED and the proposed satellite ED facilities in Year 1.

Project Cost

The total project cost is $18,718,029. Major costs are:

- Facility Lease cost, $15,004,094, or 80.6% of the total cost. A comparison of the actual lease cost to the estimated value or market value to construction of the facility by a developer is discussed on page 41 of Supplemental 1.
- Medical Equipment, $3,076,337 or 16.4% of total cost. There is no acquisition of major medical equipment over the $2 million CON minimum.
- For other details on Project Cost, see the Project Cost Chart on page 26 of the application.

Note to Agency Members: Although not a part of the applicant's total project cost, the developer's $6,731,370 construction cost ($261.95/SF), excluding site work, is documented in the 8/3/15 architect letter on page 93 of the application. The cost is also shown as a comparison to the applicant's actual lease cost of the facility in the chart on page 41 of Supplemental 1. The developer's construction cost falls between the median ($259.66/SF) and the 3rd quartile cost ($298.66/SF) for statewide hospital new construction projects from 2012-2014.

Financing

Baptist Memorial Hospital (BMH) anticipates initially leasing the building from Duke Realty or one of its subsidiaries (the developer) upon completion of construction and appropriate approvals by city, county and state entities. The building lease is documented in the August 13, 2015 letter from Duke Realty on page 68 of the application.

The applicant submitted copies of letters from the Chief Financial Officer of BMH and Regional One Health in the application confirming the availability of cash reserves from each organization to fund the project in accordance with the shares specified in the joint operating agreement between the parties (60% BMH and 40% Regional One). Review of the applicant's balance sheet on page 92 of the application revealed cash and cash equivalents of $27,543,464, total current assets of $147,762,420 and total current liabilities of $65,858,422 resulting in a favorable ratio of 2.2 to 1.0 for the fiscal year ending September 30, 2014.

Review of Shelby County Health Care Corporation's audited financial statements provided in Supplemental 1 revealed $10,023,233 in cash and cash equivalents for the period ending June 30, 2014.

Note to Agency members: Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Historical Data Chart

- According to the Historical Data Chart provided on page 29 of the application, operating income less capital expenditures (NOI) of BMH's Emergency Department was favorable for each of the 3 most recent fiscal year (FY) periods as follows: $2,788,485 in FY12; $3,640,627 in FY13; and $7,567,475 in FY 14.
- NOI of the emergency department amounts to a 171% increase from FY12 - FY14.
- NOI of the emergency department averaged approximately 8.6% of total gross operating revenues in FY 2014.
- For the hospital as a whole, NOI was favorable at $8,735,252 in FY 2012 and $1,252,249 in FY 2013. However, due to decreases in net revenue, total operating expenses (primarily fees to affiliates and other expenses) NOI was unfavorable at $51,468,237 in FY 2014.

Projected Data Chart

A Projected Data Chart was provided for the proposed BMH Lakeland Satellite ED in the application. Additionally, a consolidated Projected Data Chart for the main hospital ED and satellite ED was provided in Supplemental 1. Both charts demonstrate favorable net operating income performance as a result of the project. Highlights of the financial performance of the project are shown in the table below:

Historical and Projected Financial Performance of Applicant's ED

Financial Measure	Main ED 2014	Proposed Satellite ED Year 1 (2017)	Combined Year 1 (2017)	Combined Year 2 (2018)
ED Visits	62,541	4,776	67,190	72,639
Gross Operating Revenue	$87,268,920	$16,554,930	$149,730,332	$175,548,047
Average Gross Charge	$1,395/visit	$3,467/visit	$2,228/visit	$2,417/visit
Net Operating Revenue	$16,537,460	$4,121,298	$24,021,777	$27,821,582
Operating Expenses	$8,969,985	$4,897,494	$19,055,690	$20,866,457
Net Operating Income	$7,567,475	($776,196)	$4,966,087	$6,955,125
NOI as a % of Gross Operating Revenue	8.7%	-4.6% (loss)	3.3%	4.0%

The table reflects the following:

- Net operating income for the emergency department as a whole is expected to decrease from $7.6 million on 62,541 ED visits in FY 2014 to approximately $5 million on 67,190 combined ED visits in FY 2017.
- Net operating revenue after bad debt, charity care, and contractual adjustments amounts to approximately 25% of total gross operating revenue in FY 2017, from 18.9% in FY14.
- For additional information, please refer to page 29 and 31 of the original application and the Projected Data Chart for the consolidated ED provided on page 86 of Supplemental 1.

Charges

In Year One of the proposed project, the average emergency room gross charges for BMH's emergency department as a whole are as follows:

- The proposed average gross charge is $2,229/ ED visit in 2017 increasing by approximately 8.4% to $2,416/visit in 2018.
- The average net charge is $357.52/ED visit in 2017 after deductions for contractual adjustments, charity and bad debt (approximately $1,061/ED visit).

Medicare/TennCare Payor Mix

The applicant's historical payor mix for the BMH Main ED in 2014 and the projected payor mix for the applicant's consolidated ED (main ED and proposed satellite ED) in 2017 is shown in the table on page 89 of Supplemental 1. Highlights are shown below.

- TennCare- TennCare gross revenue accounted for approximately 20% of the main ED's gross operating revenue in 2014.
- The projected TennCare gross revenue of BMH's consolidated ED (main campus ED and both proposed satellite facilities) is approximately $33,184.926 or 22.2% of total projected gross operating revenue in 2017.
- Medicare- The main ED's Medicare gross revenue was approximately 33% of gross operating revenue in 2014. For the consolidated ED, Medicare revenue is expected to account for approximately 30% of total gross revenue in 2017.

Staffing

The applicant's projected full time equivalent (FTE) staffing for the proposed satellite ED in Year 1 is shown on page 37 of the application. Additional clarification pertaining to the projected staffing of the proposed facility by shift is shown in the table on page 101 of Supplemental 1. Additionally, the applicant clarified that staffing by emergency medical physicians and advanced nurse practitioners of Team Health will be provided through a contractual arrangement. The staffing of the proposed satellite ED is shown in the table below.

BMH Lakeland Satellite ED Clinical Staffing, Year 1

Position Type	# FTE Year 1
Emergency Medicine Physicians	1.0
Registered Nurses	8.2
Respiratory Therapist	3.5
Medical Assistant	3.3
MM Tech	1.0
Lab Tech	3.2
Ultrasound Tech	3.2
Total	**23.4**

Source: CN1507-027

Note to Agency members: As noted in Supplemental 1, the applicant states that Team Health (NYSE: TMH) typically staffs hospital EDs on the basis of 1 physician per ED visit volumes up to 14,000 visits per year and may be as adjusted based on the number of patients expected per hour. Review of Team Health's website revealed that the company was originally founded in 1979 by emergency physicians to provide emergency department administrative and staffing services and is currently 1 of the nation's largest providers of hospital-based clinical outsourcing in multiple service lines, including Emergency Medicine, Anesthesia, Hospital Medicine and Specialty Services. Based out of Knoxville, Tennessee, Team Health has more than approximately 14,000 affiliate and advanced practice clinicians and serves approximately 1,000 civilian and military hospitals, clinics and physician groups nationwide. A letter from John Proctor, President, TeamHealth Central Group, on page 38 of the application attests to TeamHealth's support for the satellite ED project and willingness to negotiate an amendment to BMH's current contract for coverage of same.

Licensure/Accreditation

Baptist Memorial Hospital has an active license issued by the Tennessee Department of Health, Division of Health Care Facilities that will expire on September 1, 2016.
BMH is accredited by The Joint Commission. A copy of the June 6, 2014 accreditation survey is provided in the attachments to the original application.

Corporate documentation, real estate warranty deed information, and BMH emergency department policies are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in **three** years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent or denied applications for this applicant.

Pending Applications

Baptist Memorial Hospital Satellite ED Memphis, CN1508-036, has a pending application that will be heard at the November 18, 2015 Agency meeting for the establishment of a full service, 24 hour per day/7 day per week satellite emergency department to be located at an unnamed street address at 655 Quince Road in Memphis (Shelby County), Tennessee 38119. The proposed facility will be operated as a satellite emergency department of Baptist Memorial Hospital located at 6019 Walnut Grove Road in Memphis and will have 12 treatment rooms and will provide emergency diagnostic and treatment services. The project does not contain major medical equipment, initiate or discontinue any other health service or affect the hospital's licensed bed complement. The estimated project cost is **$18,457,700.**

Note: Baptist Memorial Health Care Corporation of Memphis, Tennessee (BMHC) and Regional One Health have financial interests in this project. BMHC has no other Letters of Intent, pending or denied applications.

Outstanding Certificates of Need

Baptist Medical Group, CN1503-010A, has a Certificate of Need that will expire on September 1, 2017. The project was approved at the June 24, 2015 Agency meeting for the initiation of magnetic resonance imaging (MRI) services and is, in effect, a change in ownership and operational management of the existing MRI service approved in Memphis Rehab Associates, L.P. d/b/a Baptist Rehabilitation-Germantown, CN9812-084A (hospital). Other than the transfer of operation of the MRI service from the hospital to the applicant medical group, the project will not change the location of the existing MRI unit, add any new medical equipment or services requiring CON approval, or change the ownership of the land, building or the MRI unit since both the applicant and the hospital are wholly owned subsidiaries of Baptist Memorial Health Care Corporation. As confirmed by the applicant, Baptist Rehabilitation-Germantown will voluntarily surrender CN9812-084A once the MRI service is initiated by Baptist Medical Group. The estimated project cost is **$1,262,000**. *Project Status: The CON was recently approved.*

Regional One Health Imaging, CN1406-024AM, has an outstanding Certificate of Need that will expire on November 1, 2016. The project was approved at the September 24, 2014 Agency meeting for the establishment of an outpatient diagnostic center (ODC), the acquisition of magnetic resonance imaging (MRI) equipment and the initiation of MRI services in approximately 5,275 square feet of leased space on the first floor of an existing medical office building owned by ROH. The building is located on a 6 acre site at 6555 Quince Road in Memphis, Tennessee, approximately 17 miles southeast of the

hospital campus in Memphis. In addition to MRI, the proposed ODC will provide computed tomography, mammography, X-Ray/Fluoroscopy, bone density and ultrasound services. The estimated project cost is **$5,345,900.00.** ***Note: at the September 2014 Agency meeting immediately after receiving approval to establish the ODC, a change of control from Regional One Health LLC to Shelby County Health Care Corporation d/b/a Regional One Health was approved so the facility could be operated as an outpatient department of the hospital in lieu of a free-stranding ODC.*** *Project Status: the project is underway and reminders for an Annual Progress Report (was due in September 2015) have been sent. HSDA staff was advised on 6/11/15 that design plans have been reviewed by TDH and returned to Regional One Health for requested changes.*

Baptist Memorial Hospital-Tipton d/b/a Baptist Center for Cancer Care, CN1211-057A has an outstanding Certificate of Need that will expire April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the relocation of Baptist Center for Cancer Care (BCCC) from its approved site at 1238 and 1280 South Germantown Parkway, Germantown (Shelby County), TN 38138 to the building known as The Shops of Humphreys Center at 50 Humphreys Boulevard, Memphis (Shelby County), TN 38120. The proposed new location also includes space conveniently located in nearby buildings at 80 Humphreys Center and 6029 Walnut Grove Road. The Cancer Center project includes the relocation of a positron emission tomography (PET/CT) unit, initiation of linear accelerator services, and acquisition of major medical equipment and related assets currently owned and operated by Baptist Memorial Hospital-Memphis (BMHM). The project involves relocating from BMHM two (2) linear accelerators and other radiation oncology equipment along with the CyberKnife linear accelerator. One (1) of the existing linear accelerators to be relocated from BMHM will be replaced when installed at the BCCC. The PET/CT unit to be relocated to BCCC will be a replacement of the BMHT PET/CT currently located at 1945 Wolf River Blvd., Germantown (Shelby County), TN 38138. The hospital total Cancer Center space is approximately 153,200 square feet. The project does not involve the addition of beds or any service for which a Certificate of Need is required. The estimated project cost is **$84,834,200.00**. *Project Status: per November 3, 2015 update received from Arthur Maples, Director of Strategic Analysis, the project remains in progress from the last e-mail update (June 2015 update) with completion expected by March 2016, one month prior to the April 2016 expiration date. The renovation of the Thoracic Clinic has been completed and was approved for occupancy by TDH on May 1, 2014. Space for clerical, administrative and support functions has been leased in a building at the 80 Humphreys Center located close to the new location of the facility. As a result of these project staging phases, construction on the new cancer center is now in progress and nearing completion.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no Letters of Intent or denied or pending applications for similar service area entities proposing this type of service.

Outstanding Certificates of Need

Methodist HealthCare-Memphis Hospitals dba Methodist South Hospital, CN1503-008A, has a Certificate of Need that will expire on September 1, 2018. The project was approved at the June 24, 2015 Agency meeting for the renovation and expansion of the existing emergency department (ED) at a cost in excess of $5 million. The project includes (a) the construction of a 12,020 square foot (SF) building addition to the existing 9,902 SF main ED; (b) the construction of a 704 SF corridor that will connect the new addition to existing areas of the ED; and (c) the renovation of the existing main ED for an expanded total of approximately 22,626 square feet focusing on the creation of a larger, contiguous footprint for emergency services at the hospital with improvements to the overall size, layout and set-up of the ED. The project will not increase the 37 bed complement of the ED and does not involve changes to the applicant's 156 licensed acute care bed complement, the addition of new services or the acquisition of major medical equipment. The estimated project cost is $8,741,872. *Project Status Update: The project was recently approved.*

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PJG
(11/04/2015)

LETTER OF INTENT

LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal (Name of Newspaper) which is a newspaper of general circulation in Shelby and other counties in (County), Tennessee, on or before August 10 (Month / day), 2015 (Year), for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that: Baptist Memorial Hospital, a Corporation owned by itself, intends to file an application for a Certificate of Need for the construction and establishment of a satellite Emergency Department to be operated under the license of Baptist Memorial Hospital. The proposed new facility will have 10 treatment rooms and will include various supportive service such as CT, X-Ray and ultra-sound. Baptist Memorial Hospital is located at 6019 Walnut Grove Road, Memphis, Shelby County, Tennessee 38120. The building containing the proposed satellite emergency facility and other community-based health services will be located near the intersection of Highway 64 and Canada Road in Lakeland, TN, 38002. This project does not involve additional inpatient beds, major medical services or initiation of new services for which a certificate of need is required. The total project cost for purposes of the certificate of need application is estimated at $18,718,029.

The anticipated date of filing the application is: August 14, 2015

The contact person for this project is Arthur Maples (Contact Name) Director Strategic Analysis (Title)

who may be reached at: Baptist Memorial Health Care Corporation (Company Name) 350 N Humphreys Blvd (Address)

Memphis (City) TN (State) 38120 (Zip Code) 901 / 227-4137 (Area Code / Phone Number)

Arthur Maples (Signature) 8/7/2015 (Date) arthur.maples@bmhcc.org (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

COPY

Baptist Memorial Hospital Satellite ED LAKELAND

CN1508-037

SUPPLEMENTAL #1
August 31, 2015
10:16 am

1. ***Name of Facility, Agency, or Institution***

Baptist Memorial Hospital
Name
Intersection of Hwy 64 and Canada Road — Shelby
Street or Route — County
Lakeland — TN — 38002
City — State — Zip Code

2. ***Contact Person Available for Responses to Questions***

Arthur Maples — Dir. Strategic Analysis
Name — Title
Baptist Memorial Health Care Corporation — Arthur.Maples@bmhcc.org
Company Name — Email address
350 N. Humphreys Blvd — Memphis — TN — 38120
Street or Route — City — State — Zip Code
Employee — 901-227-4137 — 901-227-5004
Association with Owner — Phone Number — Fax Number

3. ***Owner of the Facility, Agency or Institution***

Baptist Memorial Hospital — (901) 226-5000
Name — Phone Number
6019 Walnut Grove Rd — Shelby
Street or Route — County
Memphis — TN — 38120
City — State — Zip Code

4. ***Type of Ownership of Control (Check One)***

A. Sole Proprietorship _____
B. Partnership _____
C. Limited Partnership _____
D. Corporation (For Profit) _____
E. Corporation (Not-for-Profit) X
F. Government (State of TN or Political Subdivision) _____
G. Joint Venture _____
H. Limited Liability Company _____
I. Other (Specify)_____ _____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

		Current Licensed	*Beds *CON*	*Staffed Beds*	*Beds Proposed*	*TOTAL Beds at Completion*
A.	Medical	590		477		590
B.	Surgical					
C.	Long-Term Care Hospital					
D.	Obstetrical					
E.	ICU/CCU	80		72		80
F.	Neonatal					
G.	Pediatric					
H.	Adult Psychiatric					
I.	Geriatric Psychiatric					
J.	Child/Adolescent Psychiatric					
K.	Rehabilitation					
L.	Nursing Facility (non-Medicaid Certified)					
M.	Nursing Facility Level 1 (Medicaid only)					
N.	Nursing Facility Level 2 (Medicare only)					
O.	Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P.	ICF/MR					
Q.	Adult Chemical Dependency					
R.	Child and Adolescent Chemical Dependency					
S.	Swing Beds					
T.	Mental Health Residential Treatment					
U.	Residential Hospice					
	TOTAL	706		549		706

10. **Medicare Provider Number** 44-0048

Certification Type Hospital

11. **Medicaid Provider Number** 0440048

Certification Type Hospital

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

13. ***Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.*** **Will this project involve the treatment of TennCare participants? yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted *or plans to contract.***

Volunteer State Health Plan – Blue Cross Blue Shield of TN BlueCare
Amerigroup Community Care
United Healthcare Plan of the River Valley – United Healthcare Community Plan

SUPPLEMENTAL #1
August 31, 2015
3:07 pm

9. **Bed Complement Data**
Please indicate current and proposed distribution and certification of facility beds.

		Current Licensed	Beds *CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A.	Medical	724		576		724
B.	Surgical					
C.	Long-Term Care Hospital					
D.	Obstetrical	60		60		60
E.	ICU/CCU	91		83		91
F.	Neonatal	40		40		40
G.	Pediatric	12		12		12
H.	Adult Psychiatric					
I.	Geriatric Psychiatric					
J.	Child/Adolescent Psychiatric					
K.	Rehabilitation					
L.	Nursing Facility (non-Medicaid Certified)					
M.	Nursing Facility Level 1 (Medicaid only)					
N.	Nursing Facility Level 2 (Medicare only)					
O.	Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P.	ICF/MR					
Q.	Adult Chemical Dependency					
R.	Child and Adolescent Chemical Dependency					
S.	Swing Beds					
T.	Mental Health Residential Treatment					
U.	Residential Hospice					
	TOTAL	**927**		**771**		**927**

10. **Medicare Provider Number** 44-0048
Certification Type Hospital

11. **Medicaid Provider Number** 0440048
Certification Type Hospital

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

13. ***Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.*** **Will this project involve the treatment of TennCare participants? yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted *or plans to contract.***

Volunteer State Health Plan – Blue Cross Blue Shield of TN BlueCare
Amerigroup Community Care
United Healthcare Plan of the River Valley – United Healthcare Community Plan

NOTE: ***Section B*** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. ***Section C*** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. **Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.**

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response:

This CON application is for a satellite Emergency Department (ED) because that is the component of the proposed facility requiring CON approval. A similar CON application is being submitted in the same review cycle by the same applicant for another location in Shelby County. Both projects involve collaboration between Baptist Memorial and Regional One Health. The facility will be licensed as part of Baptist Memorial Hospital, but will be developed, operationalized and marketed through a joint operating agreement between Baptist and Regional One. The facilities make innovative health care more accessible for the patients in the community served by Baptist Memorial and Regional One.

The ED which is the core service will be joined with process improvements to provide both traditional and innovative health services. For example, telemedicine capabilities will provide the means for consultations with specialists in a setting designed for the special needs of the population closer to patient residences with ED visit results tied directly to medical homes. Episodic patient ED needs of patients with chronic disease who may be in a nursing home or have home care can be attended more conveniently closer to the patient's home with potential access to electronic records.

According to the 2013 Geriatric Emergency Department Guidelines published by the American College of Emergency Physicians and others:

> "The ED is uniquely positioned to play a role in improving care to the geriatric population. As an ever-increasing access point for medical care, the ED sits at a crossroads between inpatient and outpatient care (Figure 1). .... The expertise which an ED staff can bring to an encounter with a geriatric patient can meaningfully impact not only a patient's condition, but can also impact the decision to utilize relatively expensive inpatient modalities, or less expensive outpatient treatments."

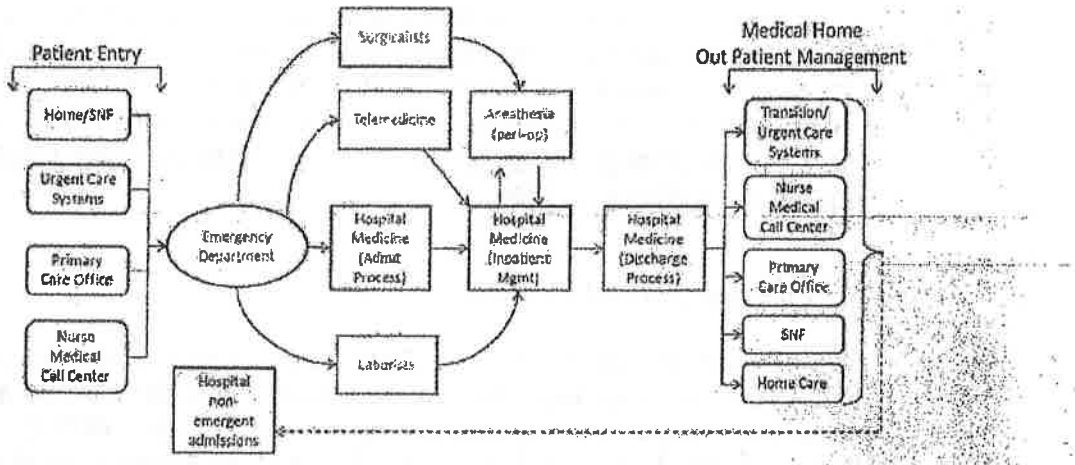


Figure 1. The central role of the ED in geriatric health care in contemporary medicine (reproduced with permission from TeamHealth's Patient Care Continuum Model.)

Other functions of the proposed satellite facility will be to accommodate group or individual instructional meetings or web-based broadcasts on topics such as nutrition and diabetic counseling. Community groups may meet at the facility for live broadcasts or discussions. Community screenings will also be offered.

The total project is a collaborative initiative to put new capabilities into practice and to address need for additional capacity to meet demand for patient convenience within the rapidly changing healthcare environment. Technology supports the enhanced capabilities of healthcare and has stimulated patients' expectations. Patients want shorter wait times and easier access. Simultaneously, HHS has recently started measuring, reporting, comparing and rewarding ED progress and patient satisfaction. A portion of Medicare reimbursement is based on the Hospital Consumer Assessment of Health Plans Survey (HCHAPS) scores.

Engaging patients in personal care involves making the solutions more accessible and the connection between health and quality of life more understandable. The growth in utilization of emergency services that continues nationally and at the state and local level, makes it imperative that the hospital systems work cooperatively to meet traditional needs by establishing additional ED capacity while also creating a place that provides multiple levels of accessibility for patient engagement, education and screening. The facilities will provide a vehicle for offering modern capabilities across a continuum of care that is broader than a traditional emergency room. In addition to an ED, the facilities will also be locally accessible community based platforms for implementing innovative health solutions as they evolve.

Through a joint operating agreement, Baptist Memorial Hospital (BMH) and Regional One Healthcare (ROH) will work together to establish best practices at the proposed satellite ED. The patients of both systems will benefit from having access to new capacity not only contributes to ensuring effecting practices, and to jointly conceived innovative approaches to treatment and to preventive care.

The satellite ED will be structured according to the Tennessee and CMS provider-based regulations and will operate as an outpatient department of BMH with the same licensure classification as the main ED on the

BMH-Memphis campus. Patients will have access to a full service Emergency Department. If appropriate care is not available at the site, a patient will be stabilized and transported to the closest, most appropriate facility.

The satellite ED will be located in a single level of approximately 25,698 gross sq ft facility. It will open with 10 treatment rooms and supporting space and additional areas for other health care activities. Laboratory, and CT, X-ray and ultrasound imaging will be provided. BMH will lease the space and equipment from the developer as described elsewhere in the application. Construction cost is estimated at $261.94 per sq ft. The building will be located in southeast Memphis on land adjacent to a center owned and operated by ROH. The primary service area is an adjacent area represented by 11 zip codes. Nurse Staffing will be handled by BMH through system resources including the Baptist College. Team Health will provide physicians certified in Emergency Medicine in an extension of the current contract in place at the main ED on the BMH campus.

For BMH, the need for additional ED capacity can be best accommodated by satellite facilities. The main ED on the campus of BMH-Memphis has steadily increased in visits and has reached the capacity that was anticipated when the most recent expansion was completed in 2011. The main ED has expanded to the extent possible on the land available in the Northeast direction closest to Brierview Street. In 2014 the emergency room that was expanded to serve 60,000 visits reached 62,451.

For ROH, this project will enhance its continuing efforts to ensure services that are more accessible to patients it serves. Further, ROH already has an extremely active Trauma Center and Emergency Department at its downtown campus, and the establishment of this ED will help alleviate the high utilization of those downtown emergency services. Occasionally, ROH's downtown campus has to divert patients to other ED's. The establishment of these "remote" freestanding EDs will result in more efficient throughput and higher satisfaction of its patients.

Finally, both BMH and ROH will benefit through co-branding their existing excellent services with a respected partner in the growing Memphis Metropolitan Statistical Area. The approval and successful operation of these ED projects may serve as a model, and thereby provide the opportunity for additional collaborations between these two acute care partners.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of $5 million) and other facility projects (construction cost in excess of $2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost

per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

Response:

As shown on the following square footage chart, the project involves approximately 25,698 gross square feet in new construction for the satellite emergency department. The total building cost as shown in the letter from the architect is $6,731,370.

The ED will be located in a single story building with 10 treatment rooms. A decontamination space is close to the ambulance entry and a consultation area is positioned closer to the treatment rooms but not in direct sight. Although all rooms will be equipped to be used by pediatric and adult patients, structural modifications for older adults will make the area more comfortable for everyone. Enhanced lighting, colors and signage will enhance safety, mobility, memory cues and vision and hearing perception.

Spaces are provided to support additional health related activities such as Medical Home counseling, health conferences, an educational resource library, and a community room. Laboratory, and CT, X-ray and ultrasound imaging will be provided in ancillary space.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Response:

Changes in beds are not part of this project proposal. However, the patient care areas are shown below:

PATIENT CARE AREAS	PROPOSED
Single Treatment Positions	
Trauma	1
Isolation	1
Gyn	1
Seclusion	1
Treatment	6
TOTAL	**10 Areas**

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART N/A

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Emergency Department										
Exam/Treatment Rooms							32,81			
Staff/Support Space							,5,592			
Waiting Area							1,366			
X/Ray							378			
Future							528			
CT							497			
Ultrasound							238			
Lab							658			
Blood Draw							211			
Conference/Library							552			
Community Room							642			
Unassigned Space							1,359			
Canopies/Soffits										
B. Unit/Depart. GSF Sub-Total							15,302			
C. Mechanical/ Electrical GSF							710			
D. Circulation /Structure GSF							6,085			
E. Walls/Structure SF							3,608			
F.. Total GSF							25,698			

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

Response
N/A None of these services are involved in this application.

D. Describe the need to change location or replace an existing facility.

Response
N/A

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of $2.0 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

Response
N/A Major medical equipment is not involved in this project.

1. For fixed-site major medical equipment (not replacing existing equipment):
   a. Describe the new equipment, including:
      1. Total cost ;(As defined by Agency Rule).
      2. Expected useful life;

3. List of clinical applications to be provided; Scans Include:
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

2. For mobile major medical equipment:
   a. List all sites that will be served;
   b. Provide current and/or proposed schedule of operations;
   c. Provide the lease or contract cost.
   d. Provide the fair market value of the equipment; and
   e. List the owner for the equipment.
3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must include**:

1. Size of site (***in acres***); Response: 4.8 acres
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Response:

A copy of the plot plan is Attached showing the size, locations of construction and streets bordering the site

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response:

Public transportation is available by bus to Hwy 64 and Berryhill Road which approx. within 1 mile of the site. The site is immediately accessible from a thoroughfare as shown in the plot plan.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x

11" sheet of white paper.

Response:

A floor plan is attached indicating room locations and uses.

NOTE: ***DO NOT SUBMIT BLUEPRINTS***. Simple line drawings should be submitted and need not be drawn to scale.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

Response
N/A A Home Health Agency or Hospice is not involved in this project.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper*. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

   a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Response:
Specific Certificate of Need Categories are not available for a satellite ED. However, the Criteria and Standards for Construction, Renovation, Expansion & Replacement of Health Care Institutions is applicable to this project.

Criteria and Standards: Construction, Renovation, Expansion & Replacement of Health Care Institutions

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.
   Response:
   This project is to add an additional satellite location for outpatient emergency services of Baptist Memorial Hospital-Memphis. Since there are no specific CON standards for satellite emergency services, responses to the general criteria will be provided as they are presented in the application.
2. For relocation or replacement of an existing licensed health care institution:
   Response:
   N/A This project is to add an additional satellite location for outpatient emergency services and is not a relocation or replacement.
   a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.
   b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.
3. For renovation or expansions of an existing licensed health care institution:
   a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.
   b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Response:
Item 3.b. Does Not Apply since this project is not renovation or expansion of an existing facility. The response to 3.a. is a description of growth in ED Service demand and the available capacity for patients of BMH-Memphis and ROH.

Continuing Growth in Emergency Department visits at BMH-Memphis
The Emergency Department (ED) at BMH-Memphis, originally named Baptist East, was expanded in 1994 to accommodate 48,000-50,000 visits per year. Another CON application for expansion was approved in 2007 because the ED had again become saturated with approximately 54,089 annual patient visits. Accordingly, a Certificate of Need was approved in February 2008 that increased the area to approx. 29,000 sq ft. That size, as indicated by a publication endorsed by the American College of Emergency Physicians (ACEP) titled *Emergency Department Design A practical Guide to Planning for the Future,* would accommodate 50,000 - 60,000 annual visits.

In 2014, BMH-Memphis ED reported 62,451 visits. Visits have been increasing at the rate of 3-5% per year since 2011. Construction related to the 2008 CON was in phases and was active in 2010. It was completed in January 2011. The construction may have caused some people to divert to other locations in 2010. Recently, when the Pediatric Emergency Room was opened in January 2015 with ED services relocated form BMH-Memphis to Baptist Memorial Hospital for Women, only a brief reduction in patients occurred. Adult visits increased and growth is projected to be more than 5% for 2015.

BMH Memphis ED Visits Changes per Year									Projected
Year	2007	2008	2009	2010	2011	2012	2013	2014	10 mos 2015
Visits	54,300	55,973	56,966	54,284	56,862	58,333	60,274	62,451	65,601
% Change		3.08%	1.77%	-4.71%	4.75%	2.59%	3.33%	3.61%	5.04%

Source: Joint Annual Report for Hospitals

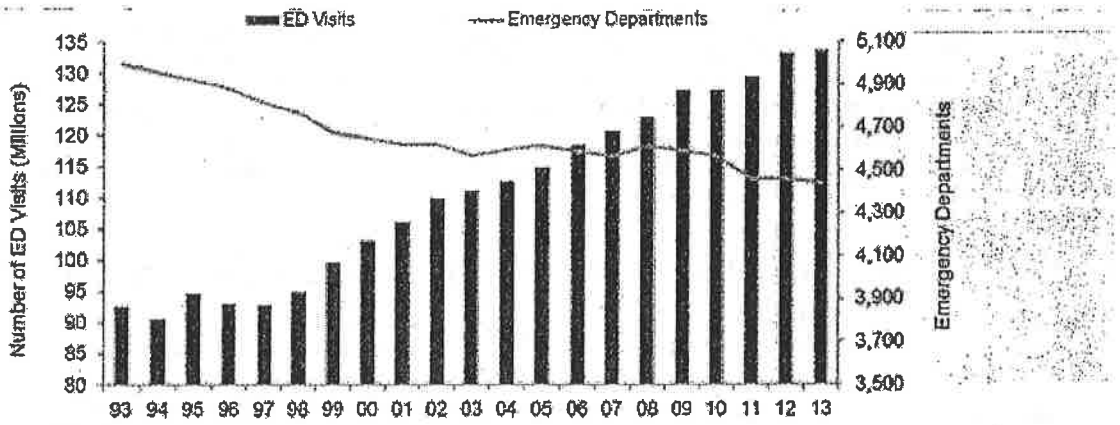
As explained in the Executive Summary, this project is a collaborative initiative between BMH-Memphis and Regional One Health. ED visits at Regional One Health also confirm the increasing trend:

Regional One Health ED Visits					Forecast
Year	2011	2012	2013	2014	2015
Visits	45,189	48,895	55,963	53,189	58,576
% Change		8.20%	14.46%	-4.96%	10.13%

Note: 2015 forecast using regression

Continuing growth in Emergency Room utilization is recognized nationally and by states. Nationally, the use of emergency department services steadily increased from 366 per 1,000 persons in 2000 to 423 per 1,000 persons in 2013. The American Hospital Association provided these graphics from Trendwatch 2015.

Chart 3.7: Emergency Department Visits and Emergency Departments[1] in Community Hospitals, 1993 – 2013



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2013, for community hospitals.
(1) Defined as hospitals reporting ED visits in the AHA Annual Survey.

Table 3.3: Emergency Department Visits, Emergency Department Visits per 1,000 and Number of Emergency Departments, 1993 – 2013

Year	ED Visits (millions)	ED Visits per 1,000	Emergency Departments[1]
1993	92.6	359	4,998
1994	90.5	348	4,960
1995	94.7	360	4,923
1996	93.1	351	4,884
1997	92.8	347	4,813
1998	94.8	351	4,771
1999	99.5	365	4,679
2000	103.1	366	4,650
2001	106.0	372	4,621
2002	110.0	382	4,620
2003	111.0	382	4,570
2004	112.6	383	4,595
2005	114.8	388	4,611
2006	118.4	395	4,587
2007	120.8	401	4,565
2008	123.0	405	4,613
2009	127.3	415	4,594
2010	127.2	412	4,564
2011	129.5	415	4,461
2012	133.2	424	4,460
2013	133.6	423	4,440

In June 2015, the Tennessee Department of Health, Division of Policy, Planning and Assessment' released a report on *Emergency Department Visits 2013*. The introduction included, "This upsurge in emergency department use is a growing financial concern, since emergency

departments are required to provide some type of care to all patients even those who are uninsured and have no means of paying for the service.

Growth is also indicated by the Medicare population utilization. The June 2015 DATA BOOK on Health Spending and the Medicare Program published by the Medicare Payment Advisory Commission (MedPac) included information about the share of outpatient service expenditures for Emergency visits based on the ED CPT codes. For the Medicare population, the highest percentage share of payments involved emergency visits.

Chart 7-12. Hospital outpatient services with the highest Medicare expenditures, 2013

APC title	Share of payments	Volume (thousands)	Payment rate
Total	43%		
All emergency visits	6	12,634	$202
All clinic visits	5	26,329	77

Note: APC (ambulatory payment classification), The payment rate for "all emergency visits" is a weighted average of payment rates from 10 APCs, and the payment rate for "all clinic visits" is a weighted average of payment rates from 5 APCs.
Source: MedPAC analysis of 5 percent analytic files of outpatient claims for calendar year 2013.

Summary:
Continuing Growth in ED visits at BMH and ROH and current high utilization at the capacity of the main facilities demonstrate that there is an acceptable existing demand for the proposed project. By selecting an area of the county where patients served by BMH and ROH reside, an alternate ED location will relieve the impact of the growth rate on the main hospital facilities for both BMH and ROH. Similar services will be located closer to the existing patient residences and the demand on existing services at the main locations will be relieved. The specific zip codes that are the primary market for this satellite ED are described in detail in subsequent responses to the general criteria in the application.

The main zip code areas with enclosed zips included are:

38135	Main	Memphis
38133	Main	Memphis
38016	Main	Cordova
38134	Main	Memphis
38002	Main	Arlington
38028	Main	Eads
38068	Main	Somerville
38049	Main	Mason
38018	Main	Cordova
38060	Main	Oakland
38076	Main	Williston

Discussion of this proposal toward implementation of the 5 Principals for Achieving Better Health found in the State Health Plan.

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

Response:

The proposed project is an example of collaboration between two providers in the Metropolitan area- Baptist Memorial Hospital and Regional One Health. It will place emergency services closer to the patients of both providers in a care setting that is friendly for multiple generations. The location will be equipped to address several levels along the continuum of care. Technology will link resources for chronic disease management in patient episodes requiring immediate attention. At the other end of the continuum, opportunities will encourage community residents and their families to learn and participate to the extent possible in their personal care.

6. Access to Care

Every citizen should have reasonable access to health care.

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

Response:

Access to emergency medical services in a focused local setting is not restricted by existing health status, employment, income, geography or culture. Access is provided to professional staff sponsoring health services, education and activities that reduce risk and improve health. Convenient access to ED services can improve the care experience and satisfaction with the attention received.

7. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.

Response:

The new ED setting will be equipped for diagnosing and effective treating patients with emergent needs closer to their residences. Economic efficiencies involve reducing the load at

existing complex larger main hospitals. Patient delays will be minimized by reduced waiting that is possible by providing space for faster flow of patients through the smaller care setting. Systems improvements that innovatively improve the health care system will result. Collaboration will be encouraged among medical providers without unnecessarily duplicating services.

8. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.

Response:
The new ED's telecommunication and electronic health record tools will ensure that patient information is appropriately accessible to providers and that patients can be effectively involved. Medical professionals will work in a setting that supports effective utilization and a high quality of work life.

9. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.

Response:
This project includes healthcare professionals who are dedicated to providing emergency services care for multiple generations and are already engaged in providing the services. The proposed ED will provide care in a setting that is comforting to patients and families and effective for professionals. The setting will be accessible to medical, nursing, allied health and educational institutions including the BMH College of Health Sciences.

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

Response:
N/A this is an additional outpatient location of the BMH ED that does not involve a change of site.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response:
This project is consistent with the long range plans of both BMH and ROH to accommodate the health needs of the patient communities they serve and to provide the highest quality, safety and service expectations.

The long range plans involve preparing for the future by responding at the right time in the right place with the appropriate level of accessible health service at the right cost. This project is a direct relationship to those plans.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

Response:
A county level map is marked as an attachment to show Shelby as the primary county of service for the satellite ED. However, the zip code map on the following page is provided to identify the primary area that is the focus of this CON application. The zip codes define the primary boundaries to be evaluated for patients who are already going to the main EDs at BMH or ROH.

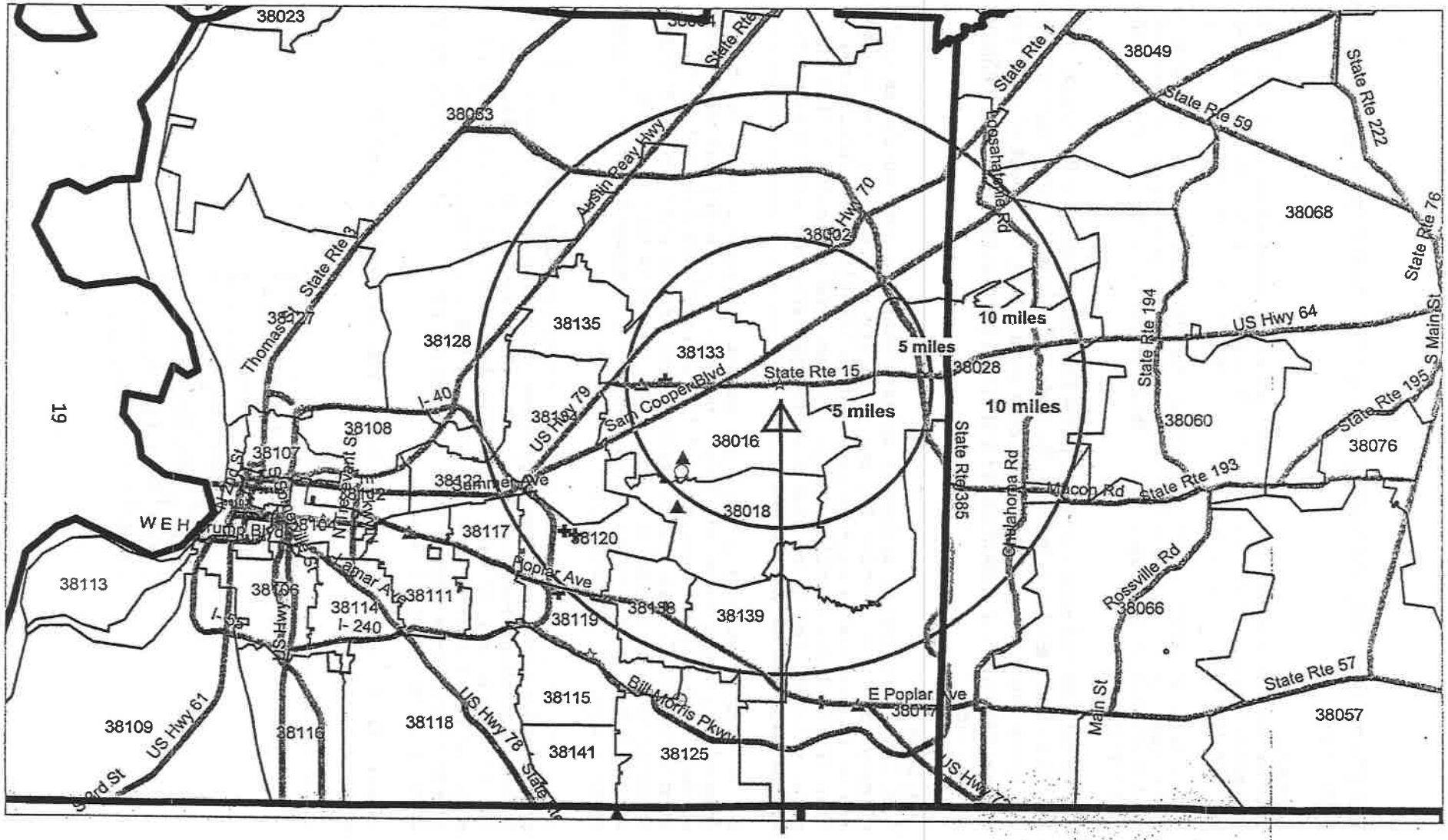
The process of selecting the location for the satellite ED began by determining areas where sufficient numbers of existing patients could be served to support operation of the satellite ED and relieve the main hospital ED load. When Regional One Health and Baptist Memorial Hospital evaluated potential locations, the area that had been approved for ROH to establish an Outpatient Diagnostic Center became a primary area of consideration.

The comprehensive *Tennessee Hospital Discharge Data System (HDDS)* maintained by the Tennessee Department of Health that contains information about hospital inpatient and outpatient ED services was the primary source of data. The 2014 data was used from the Tennessee Hospital Association since both BMH and ROH are members and have access to the data through the association prior to it becoming public from the Department of Health.

As described in a previous section of the application, the Zip Code areas are:

Hwy 64 and Canada Rd		
38135	Main	Memphis
38133	Main	Memphis
38016	Main	Cordova
38134	Main	Memphis
38002	Main	Arlington

Baptist Memorial Hospital Satellite ED ZIP Locations



Hwy 64 and Canada Road

38028	Main	Eads
38068	Main	Somerville
38049	Main	Mason
38018	Main	Cordova
38060	Main	Oakland
38076	Main	Williston

The Table below indicates the numbers of patients from the identified zip code areas who are presently receiving care from the main ED locations for BMH and ROH

Canada Rd	2011	2012	2013	2014
Regional One	2,738	3,089	3,048	3,268
Baptist	13,057	13,747	13,875	14,276
Combined	15,795	16,836	16,923	17,544

Although the satellite ED will be full service, research and interviews with operators of freestanding EDs in other states found that some patients will not initially choose a satellite location that is not physically attached to a hospital. Also, it is likely that an ambulance will transport an ESI (triage) level 1 or 2 patient to an ED located with a hospital.

In order to estimate the percentage of patients that will not initially be candidates for service in the satellite ED, the number of patients from 2014 were sorted by CPT levels of service. The CPT codes are 99281, 99282, 99283, 99284 and 99285 and the levels are identified in an Attachment.

99281	99282	99283	99284	99285	Grand Total	CPT
538	1,655	3,979	3,127	1,755	11,054	BMH
12	76	623	1208	904	2823	ROH
550	1,731	4,602	4,335	2,659	13,877	Total Population

The Emergency Severity Index (ESI) triage leveling system from all BMH hospitals were analyzed by CPT level to determine the distribution of ESI level by CPT Level. Then, the proportion of the sum of ESI 1 and ESI 2 at each CPT level was applied to remove those number of patients from the population of potential satellite ED users with the results being these patients who are likely candidates to seek services at the proposed site.

99281	99282	99283	99284	99285	Grand Total	CPT
538	1,655	3,979	3,127	1,755	11,054	BMH
12	76	623	1208	904	2823	ROH
550	1,731	4,602	4,335	2,659	13,877	Total Population
99.6%	98.6%	96.1%	88.7%	68.3%		Acuity Adjustment
548	1,707	4,423	3,846	1,815	12,338	Total After Reduction

The result of the process is a population estimate based on existing patients that confirms a patient base to support the satellite ED. The projections for year 1 are 4,776 visits and year 2 are 7,127 visits are based on conservative estimates of the proportion of patients as the proximate zip codes who will use the satellite ED. The Table above indicates that the estimates are well within the population of existing patients.

4. A. Describe the demographics of the population to be served by this proposal.

Response:
Demographics of the zip codes comprising the area are presented on the following page.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response:
Special Needs for the ED will primarily be age related. Pediatric and geriatric patients will be accommodated.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response

One outstanding project approved as CN1503-008 for Methodist South Hospital will not add patient care spaces. ED Services in Shelby County are provided below.

ZIP Code	ZIP City Name	2015 Selected Population	2020 Selected Population	Change Selected 2015-2020 Count	Change Selected 2015-2020 %	2015 Selected Male Population	2020 Selected Male Population	Change Males 2015-2020 Count	Change Males 2015-2020 %	2015 Selected Female Population	2020 Selected Femal Population	Change Selected Female 2015-2020 Count	Change Selected Female 2015-2020 %
38028	Eads	6,994	7,474	480	6.9%	3,499	3,724	225	6.4%	3,495	3,750	255	7.3%
38060	Oakland	10015	10741	726	0.072	4951	5303	352	0.071	5064	5438	374	0.074
38068	Somerville	10631	10543	-88	-0.008	5186	5137	-49	-0.009	5445	5406	-39	-0.007
38076	Williston	802	786	-16	-0.02	392	389	-3	-0.008	410	397	-13	-0.032
38002	Arlington	44904	49275	4371	0.097	22121	24254	2133	0.096	22783	25021	2238	0.098
38016	Cordova	47001	50222	3221	0.069	22296	23900	1604	0.072	24705	26322	1617	0.065
38018	Cordova	37082	39424	2342	0.063	17549	18705	1156	0.066	19533	20719	1186	0.061
38133	Memphis	21512	22183	671	0.031	10436	10774	338	0.032	11076	11409	333	0.03
38134	Memphis	42166	42708	542	0.013	21446	21765	319	0.015	20720	20943	223	0.011
38135	Memphis	31281	32417	1136	0.036	15045	15620	575	0.038	16236	16797	561	0.035
38049	Mason	4714	4721	7	0.001	2581	2594	13	0.005	2133	2127	-6	-0.003
	Total	257,102	270,494										
	Change		13,392										
	% Change		0.052088										

HOSPITAL NAME	ED Rooms	2011 Visits	2012 Visits	2013 Visits
Methodist University	38	56,725	60,902	62,587
Methodist South	37	59,346	62,659	62,300
Methodist North	43	59,726	66,862	69,062
Methodist Germantown	38	48,109	53,937	54,914
Regional One	51	45,189	48,985	55,963
Baptist-Memphis	52	56,862	58,333	60,274
Baptist-Collierville	13	16,602	17,735	16,714
St Francis-Park	38	39,853	42,198	44,856
St Francis-Bartlett	30	31,353	36,561	36,616
Delta Medical Center	13	24,350	24,385	26,459
Total		438,115	472,557	489,745

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions

Response:
As discussed in response to a previous item, The projections for year 1 is 4,776 visits and year 2 is 7,127 visits. The projections are based on conservative estimates of the proportion of patients as the proximate zip codes who will use the satellite ED.

BMH Memphis ED Visits			
Year	2012	2013	2014
Visits	58,333	60,274	62,451
% Change	2.59%	3.33%	3.61%

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

    - All projects should have a project cost of at least $3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)

Response
The Chart has been completed on the following page. The CON filing fee has been calculated from Line D to be $42,021.

    - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Response
The Chart has been completed on the following page. Lease values were used because the total lease cost of the land and building, equipment and furnishings over the initial term was greater than the estimated construction cost. The cost without the lease was estimated to be $12,987,655. Estimated construction amounts are provided in the letter from an architect.

The actual initial cash requirement is much less than the total cost indicated by the chart. A third party developer will lease the land and develop a building and lease the land and building and equipment to an LLC that will lease the facility and to BMH.

    - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

Response
The equipment cost is $3,646,514. Major fixed equipment items are not part of the project.

- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

Response

The Chart has been completed on the following page with building, land and equipment costs in the lease amount. Documentation from the firm A2H is provided as Attachment Section C Economic Feasibility 1.

Equipment costing more than $50,000 is listed below.

Equipment over 50,000
Omnicell
Bed Alarm System
X-Ray
Ultrasound
Computerized Tomography
Security Surveillance

PROJECT COSTS CHART CANADA

A.	Construction and equipment acquired by purchase:	
	1. Architectural and Engineering Fees	$ -
	2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	$ 25,000
	3. Acquisition of Site	$ -
	4. Preparation of Site	$ -
	5. Construction Costs	$ -
	6. Contingency Fund	$ -
	7. Fixed Equipment (not in included in Construction Contract)	$ -
	8. Moveable Equipment (List all equipment over $50,000)	$ -
	9. Other (Specify) _____IT_____	
B.	Acquisition by gift, donation, or lease:	
	1. Facility (Inclusive of building and land)	$ 15,004,494
	2. Building only	$ -
	3. Land only	$ -
	4. Equipment (Specify) not included in construction contract)	$ 3,076,337
	5. Other (Specify) _____I/T_____	$ 570,177
C.	Financing Costs and Fees:	
	1. Interim Financing	$ -
	2. Underwriting Costs	$ -
	3. Reserve for One Year's Debt Service	$ -
	4. Other (Specify) _____	$ -
D.	Estimated Project Cost (A + B + C)	$ 18,676,008
E.	CON Filing Fee	$ 42,021
F.	Total Estimated Project Cost (D + E)	
	TOTAL	$ 18,718,029

2. Identify the funding sources for this project.

   Please check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

__ A. Commercial loan–Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

__ B. Tax-exempt bonds–Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

__ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.

__ D. Grants–Notification of intent form for grant application or notice of grant award; or

_X_ E. Cash Reserves–Appropriate documentation from Chief Financial Officer.

__ F. Other—Identify and document funding from all other sources.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response:

The architect estimated construction costs of the building to be approx. $262 per sq foot. The cost appears to be reasonable based on the HSDA'a construction cost per square foot chart for new construction. It is slightly above Median for new hospital construction according to the chart.

Hospital Construction Cost Per Square Foot

Years: 2012 – 2014	Renovated Construction	New Construction	Total Construction
1st Quartile	$110.98/sq ft	$224.09/sq ft	$156.78/sq ft
Median	$192.46/sq ft	$259.66/sq ft	$227.88/sq ft
3rd Quartile	$297.82/sq ft	$296.52/sq ft	$298.66/sq ft

4. Complete Historical and Projected Data Charts on the following two pages–***Do not modify the Charts provided or submit Chart substitutions!*** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (*i.e.*, if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response:

The Historical Data Chart has been completed for the last 3 years available fiscal years (2011-2013) for operations at Baptist Memorial Hospital- Memphis.

The Projected Data Chart has been completed for the first 2 full years following project completion.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response:

	Year 1	Year 2
Gross Charge	$3464.00	$3609.00
Average Deduction	$2601.00	$2780.00
Average Net Charge	$863.00	$829.00

HISTORICAL DATA CHART
BMH ED

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in OCT (Month)

	Year 2012	Year 2013	Year 2014
A. Utilization Data (visits)	58,333	60,274	62,541
B. Revenue from Services to Patients			
1. Inpatient Services (Admitted ER pts)	$ 18,732,324	$ 22,308,073	$ 30,430,241
2. Outpatient Services			
3. Emergency Services	$ 31,413,078	$ 38,347,961	$ 56,828,842
4. Other Operating Revenue (specify) cafeteria, gift shop, etc.	$ 7,842	$ 5,128	$ 9,837
Gross Operating Revenue	$ 50,153,244	$ 60,661,162	$ 87,268,920
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	$ 38,673,167	$ 48,152,830	$ 70,731,460
2. Provision for Charity Care	incl above	incl above	incl above
3. Provision for Bad Debt	incl above	incl above	incl above
Total Deductions	$ 38,673,167	$ 48,152,830	$ 70,731,460
NET OPERATING REVENUE	$ 11,480,077	$ 12,508,332	$ 16,537,460
D. Operating Expenses			
1. Salaries and Wages	$ 7,218,826	$ 7,108,790	$ 7,028,452
2. Physician's Salaries and Wages	$ 10,417	$ 226,056	$ 367,473
3. Supplies	$ 1,260,367	$ 1,306,805	$ 1,234,562
4. Taxes	$ 15,621	$ 5,722	$ 16,283
5. Depreciation			
6. Rent			
7. Interest, other than Capital			
8. Management Fees:			
a. Fees to Affilitates			
b. Fees to Non-Affilitates			
9. Other Expenses (Specify on separate page)	$ 186,361	$ 220,332	$ 323,215
Total Operating Expenses	$ 8,691,592	$ 8,867,705	$ 8,969,985
E. Other Revenue (Expenses) - Net (Specify)			
NET OPERATING INCOME (LOSS)	$ 2,788,485	$ 3,640,627	$ 7,567,475
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest			
Total Capital Expenditures	$ -	$ -	$ -
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ 2,788,485	$ 3,640,627	$ 7,567,475

HISTORICAL DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 2012	Year 2013	Year 2014
Linen	$ 159,029	$ 150,247	$ 182,953
Courier	$ 243	$ 159	$ 20
Repairs/Maintenance	$ 10,193	$ 1,708	$ 29,393
Other events	$ 16,896	$ 10,616	$ 10,136
Ambulance		$ 57,602	$ 100,713
Total Other Expenses	**$ 186,361**	**$ 220,332**	**$ 323,215**

PROJECTED DATA CHART
CANADA RD

Give information for the last two (2) years following the completion of this proposal.
The fiscal year begins in _Oct (Month)

	Year 1	Year 2
A. Utilization Data (visits)	4,776	7,127
B. Revenue from Services to Patients		
1. Inpatient Services		
2. Outpatient Services		
3. Emergency Serivces	$ 16,544,930	$ 25,720,200
4. Other Operating Revenue (specify) cafeteria		
Gross Operating Revenue	$ 16,544,930	$ 25,720,200
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	$ 9,595,811	$ 15,416,374
2. Provision for Charity Care	$ 36,395	$ 56,577
3. Provision for Bad Debt	$ 2,791,426	$ 4,343,868
Total Deductions	$ 12,423,632	$ 19,816,819
NET OPERATING REVENUE	$ 4,121,298	$ 5,903,381
D. Operating Expenses		
1. Salaries and Wages	$ 2,336,395	$ 2,558,125
2. Physician's Salaries and Wages		
3. Supplies	$ 618,195	$ 885,507
4. Taxes		
5. Depreciation	$ 294,241	$ 294,241
6. Rent	$ 961,726	$ 979,726
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affilitates	$ 206,065	$ 295,169
b. Fees to Non-Affilitates	$ 67,921	$ 91,410
9. Other Expenses (Specify on separate page)	$ 412,951	$ 421,417
Total Operating Expenses	$ 4,897,494	$ 5,525,595
E. Other Revenue (Expenses) - Net (Specify)		
NET OPERATING INCOME (LOSS)	$ (776,196)	$ 377,786
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	$ -	$ -
LESS CAPITAL EXPENDITURES	$ (776,196)	$ 377,786

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 1	Year 2
Maintenance	192,345	196,192
Utilites	200,000	204,000
Operating Expense	20,606	21,225
Total Other Expenses	412,951	421,417

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response
A representative charge schedule is shown below. Charges will not change as a result of this project.

Default CPT	Description	Price	CMS Reimbursement
99281	HC ED LEVEL ONE	$324.00	$56.56
99282	HC ED LEVEL TWO	$419.00	$105.46
99283	HC ED LEVEL THREE	$688.00	$185.51
99284	HC ED LEVEL FOUR	$1,919.00	$312.13
99285	HC ED LEVEL FIVE	$3,004.00	$460.69

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response
Charges from recently submitted CON applications for emergency departments are shown below.

Methodist Hospital South ED CN1503-008

CPT	Procedure Level	Current Rate from CN1503-008
99281	Level 1	$460
99282	Level 2	$536
99283	Level 3	$801
99284	Level 4	$1,303
99285	Level 5	$1,523

Northcrest Medical Center submitted August 2015

CPT	Procedure Level	Current Rate
99281	Level 1	$359
99282	Level 2	$498
99283	Level 3	$634
99284	Level 4	$1,094
99285	Level 5	$1,750

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response
The utilization projected from the satellite ED is expected to generate positive net revenue in year 2.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response

The utilization projected from the satellite ED is expected to generate positive net revenue in year 2.

9. Discuss the project's participation in state and federal revenue programs including a **description** of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response

The Gross Revenue amounts from federal revenue programs are shown below.

	Gross Revenue	% of total
Medicare	$ 4,882,350	26.45%
TennCare/Medicaid	$ 5,829,286	31.58%
Self-Pay	$ 3,800,665	20.59%
Private Pay	$ 3,747,134	20.30%
Uninsured	$ 199,355	1.08%
TOTAL	$18,458,790	100.00%

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

Response
Balance sheet and income statements are provided as Attachment C, Economic Feasibility-10.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response

One option was to initiate plans to enlarge the existing emergency department at BMH Memphis. During the most recent expansion the foot print was extended as far as possible to the north, as well as phased construction was used to minimize disruption in service to patients. Additional construction would be complicated to stage without severe interruption of service.

Another option was to continue efforts to improve work flow in the existing area. However, the improvement in work flow does not stem the increasing demand.

This solution of offering services off campus not only improves access for Baptist patients and prevents future service disruption, but it also assists another community provider in improving access to their patients.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response

The applicant is continuing efforts to improve work flow in the existing area. However, the improvement in work flow does not stem the increasing demand.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Response

The proposed satellite emergency department has a joint operating agreement to include Regional One and Baptist. Relationships with entities throughout the Baptist System and other providers in the community will continue and build on working relationships and have access to other facilities through the county.

2 Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response

The proposed satellite emergency department is projected to serve patients who are already in the BMH or ROH networks. While the application is focused on specific ZIP code areas, the new facility will be physically closer to communities who may choose the neighboring provider.

While providing the core emergency department services within the community other parts of the building may also support services for the improvement of health status.

The project is not anticipated to have any significant negative impact on the health care system as a whole since these patients are currently seeking service at BMH or ROH.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response

Team Health has the manpower, expertise and other resources necessary to fill the emergency physician staffing needs.

Other FTEs are shown in the chart below.

HWY 64		Median	
Title	FTE	TN	BMH
RNs	8.2	$27.10	$27.84
Director	1	$40.54	$55.25
Respiratory Therapist	3.5	$23.16	$28.85
Medical Assistant	3.3	$13.48	$14.00
Manager	1	$37.86	$37.30
MM Tech	1	$11.56	$11.55
Lab Tech	3.2	$16.81	$26.50
Ultrasound Tech	3.2	$23.49	$28.15
CT Tech	3.3	$24.45	$25.50

Source: Tennessee Department of Labor & Workforce Development

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Response
Team Health has the manpower, expertise and other resources necessary to fill the emergency physician staffing needs. Recruitment difficulties are not anticipated.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

Response
A strength of the satellite ED is that the partners in the Joint Operating Agreement, that are BMH and ROH are both established Joint Commission accredited hospital and licensed by the Tennessee Department of Health. Both are knowledgeable and understand the requirements and regulations concerning physician supervision, credentialing, admission privileges, quality assurance polies and programs, utilization review policies and programs, record keeping, and staff education.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (*e.g.*, internships, residencies, etc.).

TEAMHealth.

Dear Zach:

Team Health supports the establishment of satellite Emergency Departments by Baptist Memorial Hospital- Memphis to improve access and provide convenience for our patients.

Our organizations have worked together for many years. Team Health is willing to negotiate an amendment to its existing contract with Baptist Memorial Hospital whereby the same or similar medical services that are currently being provided at the hospital will be provided at the free-standing emergency departments. As you are aware, Team Health has the manpower, expertise and other resources necessary to fill this need.

We believe that the Emergency Departments will be a positive contribution to health care. We look forward to communicating more about them.

Sincerely,

John Proctor, MD, MBA, FACEP
President
TeamHealth Emergency Medicine, Central Group
105 West Park Drive, Suite 420 | Brentwood, Tennessee 37027
P: 615-507-7755 | F: 615-507-7790 | email: John_Proctor@teamhealth.com

Response
Baptist Memorial Health Care Corporation is a strong supporter of educational opportunities throughout the region. Baptist's Philosophy and Mission for the system states that, "... it seeks to ENCOURAGE, GUIDE, and INSTRUCT those individuals entering into professions related to the healing of the body, mind and spirit."

Baptist Memorial College of Health Sciences was chartered in 1994 as a specialized college offering baccalaureate degrees in nursing and in allied health sciences as well as continuing education opportunities for healthcare professionals.

The four year BHS degree includes radiology training in areas of diagnostic medical services, and radiographic technology. BMH will participate to make student learning opportunities available as circumstances allow.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response
BMH and ROH have reviewed and understand the licensure requirements of the Department of Health and applicable Medicare certification requirements. Both are well versed through operation of large emergency department on their respective campuses.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Health Facilities Licensure will be through the existing hospital license

Accreditation: Joint Commission accreditation is planned

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response
A copy of the BMH License is provided

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response
The last completed licensure/certification with an approved plan of correction is included as Attachment Orderly Development 7 (d).

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response
There are no final orders or judgments to report.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

Response
There are no final civil or criminal judgments to report.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response
BMH will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response

A page from the Commercial Appeal is provided.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**
2. **If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph,* please state below any request for an extended schedule and document the "good cause" for such an extension.**

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date as published in T.C.A. 68-11-1009©:

Assuming the CON approval becomes the final agency action on that _____; indicate the number of days from the above agency decision date to each phase of the completion forecast.

Phase	Days Required	Anticipated Date Month/Year
Architectural and engineering contract signed	5	10/2015
Construction documents approved by the Tennessee Department of Health	120	02/2016
Construction contract signed	120	02/2016
Building permit secured	140	03/2016
Site preparation completed	160	04/2016
Building construction commenced	160	04/2016
Construction 40% complete	250	07/2016
Construction 80% complete	370	11/2016
Construction 100% complete (approved for occupancy)	440	01/2017
*Issuance or license	470	02/2017
*Initiation of service	471	02/2017
Final Architectural Certification of payment	470	02/2017
Final Project Report Form (11F0055)	560	05/2017

*** For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF SHELBY

GREGORY M DUCKETT, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

SIGNATURE/TITLE

Sworn to and subscribed before me this 13th day of August (Month), 2015 (Year) a Notary Public in and for the County/State of Shelby Tennessee.

PAULETTE E. KEARNEY STATE OF TENNESSEE NOTARY PUBLIC SHELBY COUNTY

Paulette E. Kearney
NOTARY PUBLIC

My Comm. Exp. August 21, 2016

My commission expires _____ (Month/Day), _____ (Year).

INDEX OF ATTACHMENTS

Organizational Documentation

Section A-3

STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

Highway 64 and Canada Road JOA No. 2, LLC
350 N HUMPHREYS BLVD
MEMPHIS, TN 38120-2177

August 12, 2015

Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

SOS Control # :	**000810495**	Formation Locale:	TENNESSEE
Filing Type:	Limited Liability Company - Domestic	Date Formed:	08/12/2015
Filing Date:	08/12/2015 3:35 PM	Fiscal Year Close:	12
Status:	Active	Annual Report Due:	04/01/2016
Duration Term:	Perpetual	Image # :	B0126-3817
Managed By:	Manager Managed		
Business County:	SHELBY COUNTY		

Document Receipt

Receipt # : 002190138	Filing Fee:	$300.00
Payment-Check/MO - Baker Donelson Bearman Caldwell & Berkowitz, Nashville, TN		$300.00

Registered Agent Address:
GREGORY M DUCKETT
350 N HUMPHREYS BLVD
MEMPHIS, TN 38120-2177

Principal Address:
350 N HUMPHREYS BLVD
MEMPHIS, TN 38120-2177

Congratulations on the successful filing of your **Articles of Organization** for **Highway 64 and Canada Road JOA No. 2, LLC** in the State of Tennessee which is effective on the date shown above. You must also file this document in the office of the Register of Deeds in the county where the entity has its principal office if such principal office is in Tennessee. Please visit the Tennessee Department of Revenue website (apps.tn.gov/bizreg) to determine your online tax registration requirements. If you need to obtain a Certificate of Existence for this entity, you can request, pay for, and recieve it from our website.

You must file an Annual Report with this office on or before the Annual Report Due Date noted above and maintain a Registered Office and Registered Agent. Failure to do so will subject the business to Administrative Dissolution/Revocation.

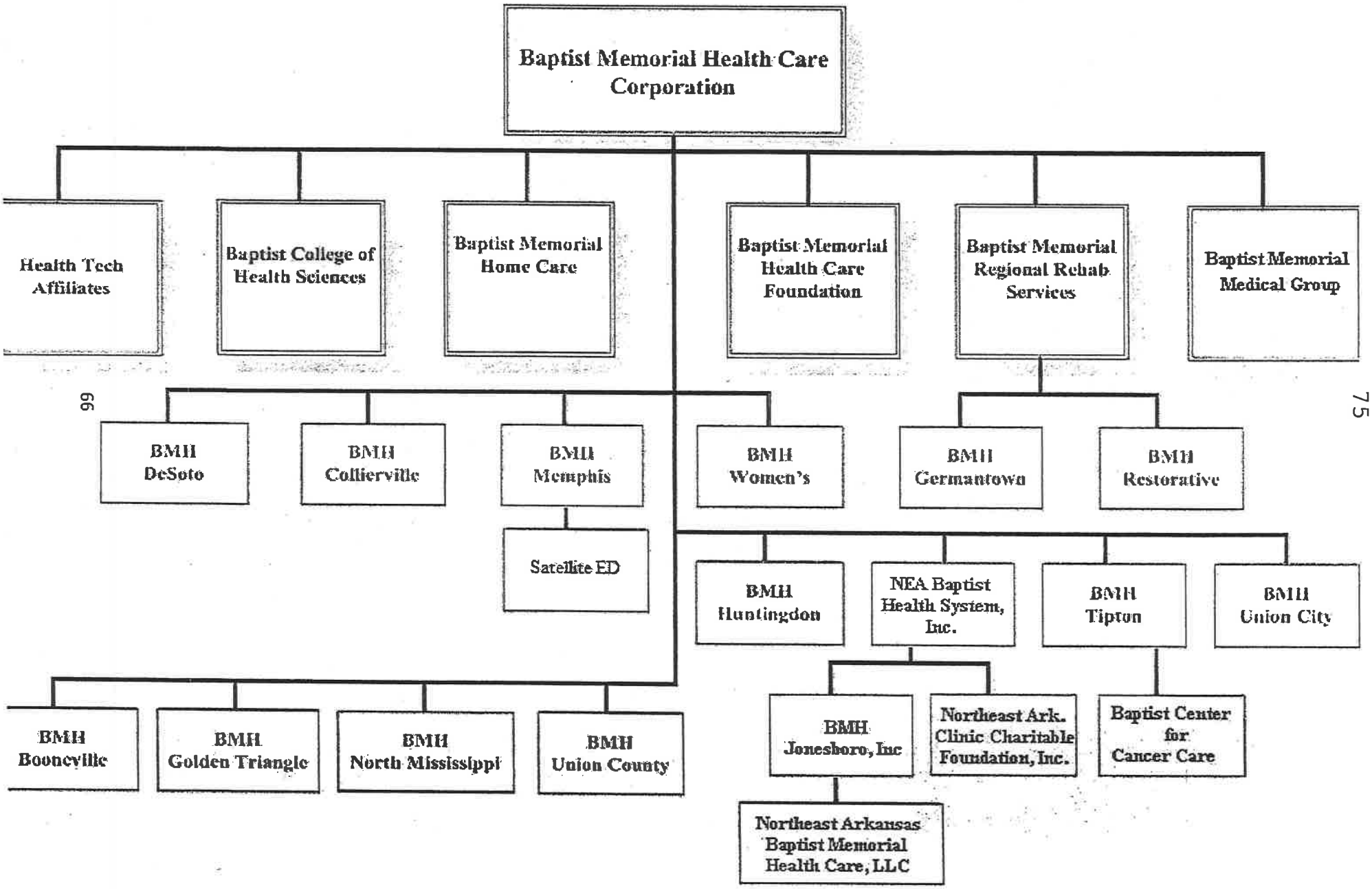
Tre Hargett
Secretary of State

Processed By: Charmayne Blair

Organizational Chart

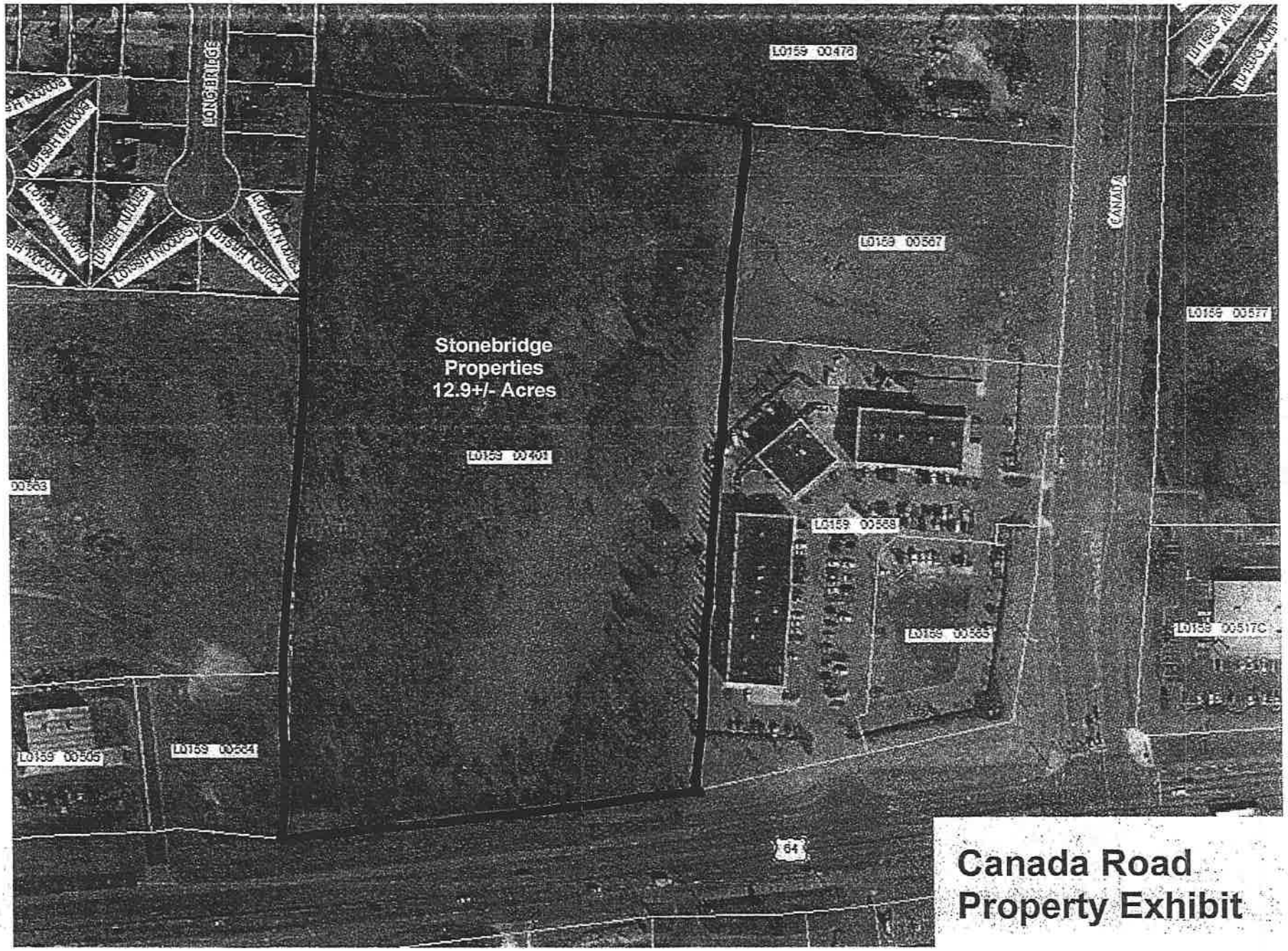
Section A-4

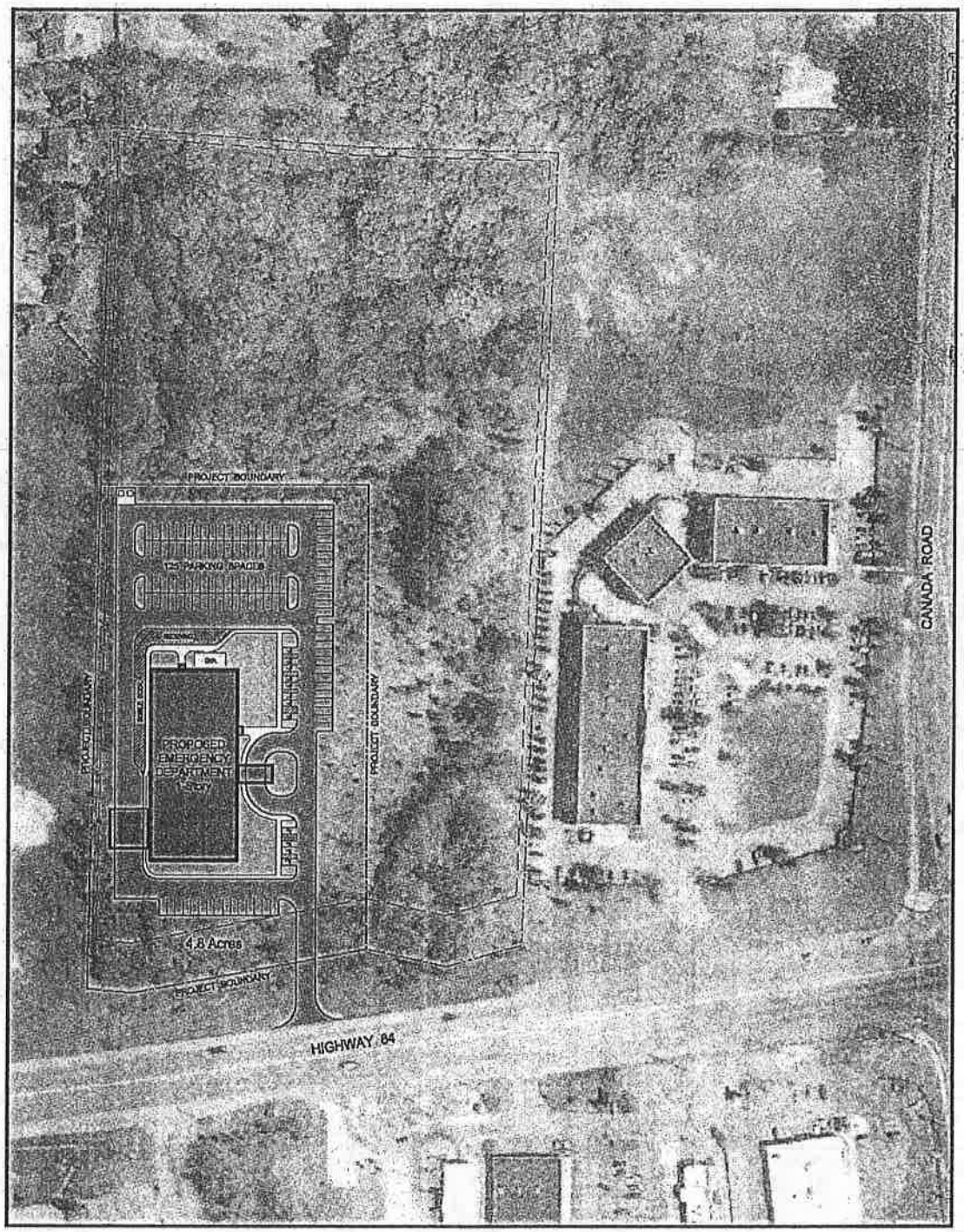
Baptist Memorial Health Care System
Memphis, Tennessee



Plot Plan

Section B, III, A (1)


LONGBRIDGE
CANADA
Stonebridge
Properties
12.9+/- Acres
64
Canada Road
Property Exhibit



Highway 64 & Canada Rd

August 11, 2015

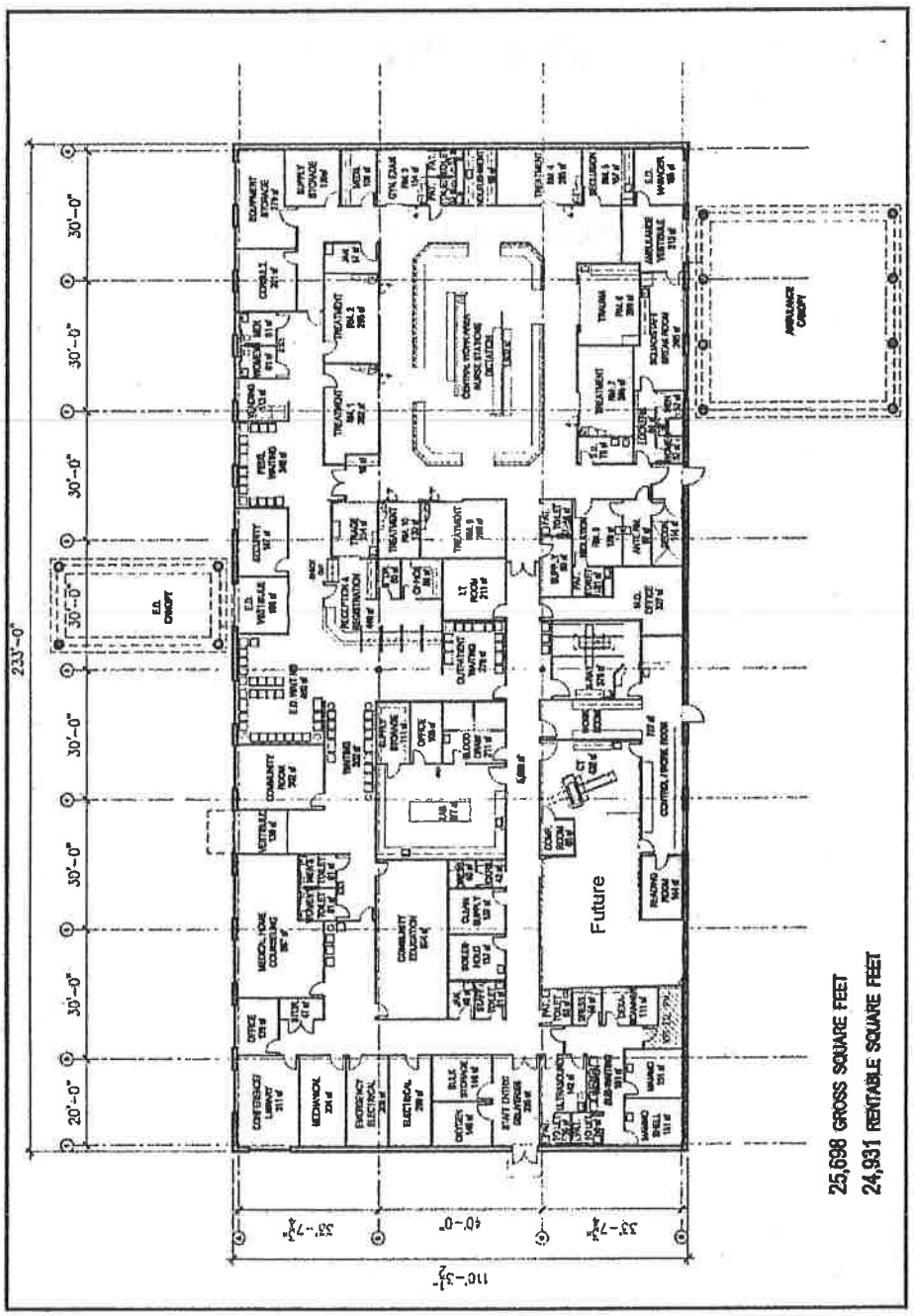
DukeREALTY HEALTHCARE

Floor Plan

Section B, IV

Exhibit C

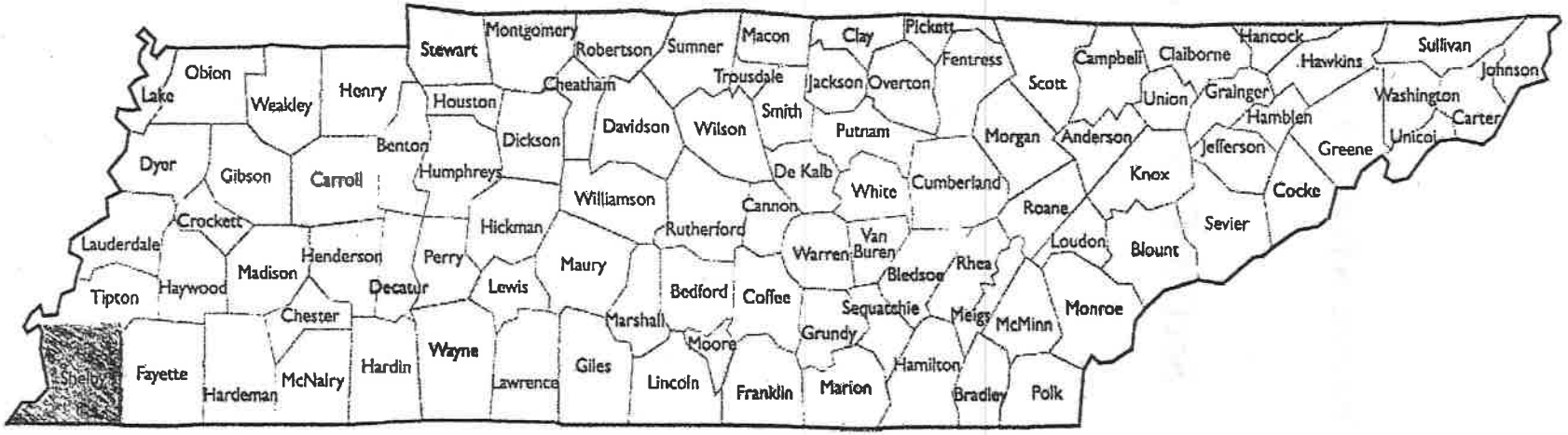
PROPOSED FLOOR PLAN



Service Area Map

Section C, 3

TENNESSEE COUNTY MAP



Architect Letter

Economic Feasibility 1

A2H
ENGINEERS ARCHITECTS PLANNERS

August 3, 2015

Ms. Melanie Hill
Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

RE: Baptist Memorial Hospital
Free Standing Emergency Department
Canada Road
Lakeland, TN

A2H Project #15289

Dear Ms. Hill,

This letter will denote that A2H, Inc. has reviewed the site preparation and construction costs indicated for the referenced project as follows:

Sitework	$ 747,930
Building	$ 6,731,370
TDOT Road Improvements	$ 250,000

We find the costs to be reasonable for the described scope of work. The construction costs have considered recent market conditions and inflatio. We have also estimated Architectural and Engineering Fees of $614,586.00 for the project.

Sincerely,

A2H, Inc.

Stewart A. Smith, AIA, EDAC
Senior Architect

SAS/pjs

A2H
ENGINEERS ARCHITECTS PLANNERS

August 3, 2015

Ms. Melanie Hill
Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

RE: Baptist Memorial Hospital
Free Standing Emergency Department
Canada Road
Lakeland, TN

A2H Project #15289

Dear Ms. Hill,

This letter will affirm that, to the best of our knowledge, the design intended for the construction of the referenced facility will be in accordance with the following primary codes and standards as listed in the Rules of Tennessee Department of Health Board for Licensing Health Care Facilities – Standards for Hospitals – Chapter 1200-8-1-.08:

- 2009 International Building Code w/Shelby County Amendments.
- 2009 International Plumbing Code
- 2009 International Mechanical Code
- 2009 International Energy Conservation Code
- 2008 National Electrical Code / NFPA 70
- 2009 International Fire Code
- 2006 NFPA 101 (Life Safety Code)
- ANSI 117.1 W/Chapter 11 of 2009 IBC

This listing may not be entirely inclusive, but the intent is for all applicable codes and standards, State or Local, to be addressed during the design Process.

Sincerely,

A2H, Inc.

Stewart A. Smith, AIA, EDAC
Senior Architect

SAS/pjs

3009 Davies Plantation Road Lakeland, TN 38002 Phone: 901.372.0404 Fax: 901.373.4002
www.A2H.com

Chief Financial Officer Letter

Economic Feasibility 2(E)

BAPTIST MEMORIAL HEALTH CARE CORPORATION

August 13, 2015

Ms. Melanie Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Baptist Memorial Hospital – Satellite Emergency Department, Intersection Highway 64 and Canada Road

Dear Ms. Hill:

Under the Joint Operating Agreement arrangement between Baptist Memorial Hospital (BMH) and Regional One Health (ROH), BMH will fund 60% of the capital required to establish the project referenced above. The BMH 60% share is expected to be $4,500,000. This letter confirms that BMH has sufficient cash and other liquid assets to fund its share of the project.

Sincerely,

Donald R. Pounds
Senior Vice President
and Chief Financial Officer

350 NORTH HUMPHREYS BOULEVARD • MEMPHIS, TENNESSEE 38120-2177

Regional One Health

August 14, 2015

Melanie Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: **Baptist Memorial Hospital – Satellite Emergency Department, Intersection Highway 64 and Canada Road**

Dear Ms. Hill:

Under the Joint Operating Agreement arrangement between Regional One Health and Baptist Memorial Hospital, ROH will fund 40% of the capital required to establish the project referenced above. ROH's 40% share is expected to be $3,000,000. This letter confirms that ROH has sufficient cash and other liquid assets to fund its share of the project.

Very truly yours,

J. Richard Wagers, Jr.
SEVP/Chief Financial Officer

Balance Sheet and Income Statements

Economic Feasibility, 10

BAPTIST MEMORIAL HOSPITAL-MEMPHIS
BALANCE SHEET
12 MONTHS ENDED SEPTEMBER 30
Unaudited

	2014	2013	2012
CURRENT ASSETS:			
Cash and cash equivalents	27,543,464	83,074,379	150,452,737
Patient accounts receivable	185,799,147	142,569,600	139,902,642
Allowances to accounts receivable	(102,580,548)	(69,790,211)	(63,726,115)
Patient accounts receivable, net	83,218,599	72,779,389	76,176,527
Other Receivables	17,130,785	16,840,706	15,953,937
Third party settlements	919,649	5,990,258	6,775,083
Inventory	14,667,642	14,156,182	14,516,369
Prepaid expenses	4,282,282	3,636,924	3,322,573
Total current assets	147,762,420	196,477,837	267,197,227
INVESTMENTS	319,152	662,946	515,119
PROPERTY AND EQUIPMENT, net	169,613,103	180,461,522	186,635,717
OTHER ASSETS	70,109,830	96,129,959	101,294,110
TOTAL ASSETS	387,804,504	473,732,264	555,642,173
CURRENT LIABILITIES:			
Current portion-long-term debt & CLO	17,525,000	17,170,000	16,100,000
Accounts payable	7,732,485	6,400,993	7,814,185
Due to affiliates	11,695,243	9,519,433	68,282,472
Third party settlements	4,838,068	2,787,074	4,410,831
Accrued payroll expenses	14,798,517	14,754,171	14,900,924
Accrued other expenses	9,269,110	13,179,081	13,618,117
Total current liabilities	65,858,422	63,810,753	125,126,529
LONG-TERM DEBT and CLO	108,041,040	127,888,606	150,703,612
DUE TO AFFILIATES	0	0	0
FUND BALANCE (DEFICIT)	213,905,042	282,032,906	279,812,033
TOTAL LIABILITIES & FUND BALANCE	387,804,504	473,732,264	555,642,173

BAPTIST MEMORIAL HOSPITAL-MEMPHIS
STATEMENT OF REVENUES AND EXPENSES
12 MONTHS ENDED SEPTEMBER 30
Unaudited

	2014	2013	2012
UNRESTRICTED REVENUES AND OTHER SUPPORT:			
Gross patient revenues	2,010,403,438	1,960,511,459	1,780,710,121
Deductions to gross patient revenues	(1,479,321,721)	(1,409,889,772)	(1,215,306,625)
Provision for bad debts	(73,607,837)	(63,313,739)	(57,084,980)
Other revenue	16,698,984	16,994,124	16,024,049
Total unrestricted revenues and other support	474,172,864	504,302,070	524,342,565
EXPENSES:			
Salaries	150,839,169	158,738,895	161,531,017
Contract labor	4,307,899	61,610	1,185,403
Benefits	41,783,302	42,594,159	46,574,633
Medical supplies	123,610,528	127,185,728	126,302,706
Nonmedical supplies	7,565,623	9,143,248	9,261,962
Purchased services	11,104,823	12,203,028	14,696,553
Insurance	255,733	(1,831,936)	3,611,030
Repairs and maintenance	10,332,941	10,536,853	9,128,336
Utilities	5,726,739	5,792,233	5,955,675
Other expenses	22,375,577	24,570,994	28,736,080
Loss on Asset Impairment	10,275,321	0	0
Management fees	77,132,582	59,039,856	52,278,908
Professional fees	26,355,046	24,106,987	23,624,629
Depreciation and amortization	23,276,262	23,237,042	24,031,334
Interest	650,954	764,197	849,088
Total Expenses	515,592,499	496,142,896	507,767,354
NONOPERATING INCOME(EXPENSE):	7,121,399	9,193,074	7,395,042
REVENUES IN EXCESS OF EXPENSES	(34,298,237)	17,352,249	23,970,253

License/Joint Commission

Orderly Development 7 (c)

Board for Licensing Health Care Facilities

State of Tennessee

0000000104

No. of Beds 0927

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

BAPTIST MEMORIAL HOSPITAL *to conduct and maintain a*

Hospital BAPTIST MEMORIAL HOSPITAL

Located at 6019 WALNUT GROVE ROAD, MEMPHIS

County of SHELBY *, Tennessee.*

102

This license shall expire SEPTEMBER 01 , 2016 , *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 22ND *day of* JULY , 2015 .

In the Distinct Category(ies) of: GENERAL HOSPITAL
PEDIATRIC GENERAL HOSPITAL

By Vincent J. Davis, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By John J. Dreyzehner MD
COMMISSIONER

93

The Joint Commission

HELPING HEALTH CARE ORGANIZATIONS HELP PATIENTS

Quality Check

Accreditation Quality Report
> Summary of Accreditation Quality Information
> Accredited Programs
> Accreditation National Patient Safety Goals
> Sites and Services
> Accreditation History
> Download Accreditation PDF Report
> Download Accreditation PDF Report - Include Quarterly Data
> Accreditation Quality Report User Guide
> Organization's Commentary

Certification Quality Report
> View Certification Quality Report

Quality Report

Summary of Quality Information

Baptist Memorial Hospital - Memphis
Org ID: 7869
6019 Walnut Grove Road
Memphis, TN 38120
(901)226-0505
BMHCC.org

Accreditation Programs	Accreditation Decision	Effective Date	Last Full Survey Date	Last On-Site Survey Date
Hospital	Accredited	6/7/2014	6/6/2014	6/6/2014

Accreditation programs recognized by the Centers for Medicare and Medicaid Services (CMS)

Hospital

Advanced Certification Programs	Certification Decision	Effective Date	Last Full Review Date	Last On-Site Review Date
Primary Stroke Center	Certification	9/6/2013	7/19/2013	7/19/2013
Ventricular Assist Device	Certification	6/3/2015	6/2/2015	6/2/2015

Certification programs recognized by the Centers for Medicare and Medicaid Services (CMS)

Ventricular Assist Device

Other Accredited Programs / Services

Hospital - Accredited by American College of Surgeons-Commission on Cancer (ACoS-COC)

Special Quality Awards

- 2012 Top Performer on Key Quality Measures®
- 2011 Top Performer on Key Quality Measures®
- 2015 Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program
- 2010 Silver - The Medal of Honor for Organ Donation

- Top -

Symbol Key

- This organization achieved the best possible results
- This organization's performance is above the target range/value.
- This organization's performance is similar to the target range/value.
- This organization's performance is below

National Patient Safety Goals and National Quality Improvement Goals

			Compared to other Joint Commission Accredited Organizations: Nationwide	Statewide
Hospital	2014 National Patient Safety Goals	See Detail	✓	N/A *
	National Quality Improvement Goals:			
Reporting Period: Jan 2014 - Dec 2014	103 Children's Asthma Care	See Detail	✓	✓

the target range/value.

This measure is not applicable for this organization.

Not displayed

Footnote Key

1. The measure or measure set was not reported.
2. The measure set does not have an overall result.
3. The number is not enough for comparison purposes.
4. The measure meets the Privacy Disclosure Threshold rule.
5. The organization scored above 90% but was below most other organizations.
6. The measure results are not statistically valid.
7. The measure results are based on a sample of patients.
8. The number of months with measure data is below the reporting requirement.
9. The measure results are temporarily suppressed pending resubmission of updated data.
10. Test Measure: a measure being evaluated for reliability of the individual data elements or awaiting National Quality Forum Endorsement.
11. There were no eligible patients that met the denominator criteria.

Heart Attack Care	See Detail	⊕	⊕
Heart Failure Care	See Detail	⊕	⊕
Perinatal Care	See Detail	✓	✓
Pneumonia Care	See Detail	⊕	⊕
Surgical Care Improvement Project (SCIP)			
SCIP - Cardiac	See Detail		
SCIP - Infection Prevention *For All Reported Procedures:*	See Detail	⊕	⊕
• Blood Vessel Surgery	See Detail	✓	✓
• Colon/Large Intestine Surgery	See Detail	✓	✓
• Hip Joint Replacement	See Detail	⊕	⊕
• Hysterectomy	See Detail	⊕	⊕
• Knee Replacement	See Detail	⊕	⊕
SCIP – Venous Thromboembolism (VTE)	See Detail		

The Joint Commission only reports measures endorsed by the National Quality Forum.

* State results are not calculated for the National Patient Safety Goals.

- Top -

Sites and Services

* Primary Location

An organization may provide services not listed here. For more information refer to the Quality Report User Guide .

Locations of Care

Baptist Memorial Hospital *
DBA: Baptist Memorial Hospital - Memphis Campus
6019 Walnut Grove Road
Memphis, TN 38120

Available Services

Joint Commission Advanced Certification Programs:

- Primary Stroke Center
- Ventricular Assist Device

Services:

- Brachytherapy (Imaging/Diagnostic Services)
- Cardiac Catheterization Lab (Surgical Services)
- Cardiac Surgery (Surgical Services)
- Cardiothoracic Surgery (Surgical Services)
- Cardiovascular Unit (Inpatient)
- Coronary Care Unit (Inpatient)
- CT Scanner (Imaging/Diagnostic Services)
- Dialysis Unit (Inpatient)
- Ear/Nose/Throat Surgery (Surgical Services)
- EEG/EKG/EMG Lab (Imaging/Diagnostic Services)
- Gastroenterology (Surgical Services)
- GI or Endoscopy Lab
- Neuro/Spine ICU (Intensive Care Unit)
- Neuro/Spine Unit (Inpatient)
- Neurosurgery (Surgical Services)
- Nuclear Medicine (Imaging/Diagnostic Services)
- Ophthalmology (Surgical Services)
- Orthopedic Surgery (Surgical Services)
- Orthopedic/Spine Unit (Inpatient)
- Outpatient Clinics (Outpatient)
- Plastic Surgery (Surgical Services)
- Positron Emission Tomography (PET) (Imaging/Diagnostic Services)
- Post Anesthesia Care Unit

(Imaging/Diagnostic Services)
- Gynecological Surgery (Surgical Services)
- Hematology/Oncology Unit (Inpatient)
- Inpatient Unit (Inpatient)
- Interventional Radiology (Imaging/Diagnostic Services)
- Magnetic Resonance Imaging (Imaging/Diagnostic Services)
- Medical /Surgical Unit (Inpatient)
- Medical ICU (Intensive Care Unit)
- Post Anesthesia Care Unit (PACU) (Inpatient)
- Radiation Oncology (Imaging/Diagnostic Services)
- Surgical ICU (Intensive Care Unit)
- Surgical Unit (Inpatient)
- Thoracic Surgery (Surgical Services)
- Transplant Surgery (Surgical Services)
- Ultrasound (Imaging/Diagnostic Services)
- Urology (Surgical Services)
- Vascular Surgery (Surgical Services)

Baptist Memorial Hospital
DBA: Baptist Memorial Hospital - Collierville Campus
1500 West Poplar
Collierville, TN 38017

Services:
- CT Scanner (Imaging/Diagnostic Services)
- Ear/Nose/Throat Surgery (Surgical Services)
- EEG/EKG/EMG Lab (Imaging/Diagnostic Services)
- Gastroenterology (Surgical Services)
- GI or Endoscopy Lab (Imaging/Diagnostic Services)
- Gynecological Surgery (Surgical Services)
- Inpatient Unit (Inpatient)
- Interventional Radiology (Outpatient)
- Magnetic Resonance Imaging (Imaging/Diagnostic Services)
- Medical /Surgical Unit (Inpatient)
- Medical ICU (Intensive Care Unit)
- Nuclear Medicine (Imaging/Diagnostic Services)
- Ophthalmology (Surgical Services)
- Orthopedic Surgery (Surgical Services)
- Plastic Surgery (Surgical Services)
- Sleep Laboratory (Sleep Laboratory)
- Surgical ICU (Intensive Care Unit)
- Thoracic Surgery (Surgical Services)
- Ultrasound (Imaging/Diagnostic Services)
- Urology (Surgical Services)

Baptist Memorial Hosptial
DBA: Baptist Memorial Hosptial - Women's Campus
6225 Humphreys Blvd.
Memphis, TN 38120

Services:
- CT Scanner (Imaging/Diagnostic Services)
- Ear/Nose/Throat Surgery (Surgical Services)
- EEG/EKG/EMG Lab (Imaging/Diagnostic Services)
- Gynecological Surgery (Surgical Services)
- Gynecology (Inpatient)
- Inpatient Unit (Inpatient)
- Labor & Delivery (Inpatient)
- Magnetic Resonance Imaging (Imaging/Diagnostic Services)
- Medical ICU (Intensive Care Unit)
- Normal Newborn Nursery (Inpatient)
- Orthopedic Surgery (Surgical Services)
- Outpatient Clinics (Outpatient)
- Pediatric Unit (Inpatient)
- Post Anesthesia Care Unit (PACU) (Inpatient)
- Surgical ICU (Intensive Care Unit)
- Ultrasound (Imaging/Diagnostic Services)
- Urology (Surgical Services)

Baptist Rehab
440 Powell Road
Collierville, TN 38017

Services:
- Outpatient Clinics (Outpatient)

Baptist Women's Health Center
50 Humphreys Boulevard, Suite 23
Memphis, TN 38120

Services:
- Outpatient Clinics (Outpatient)

Baptist Women's Health Center
4545 Poplar Avenue
Memphis, TN 38117

Services:
- Outpatient Clinics (Outpatient)

GI Specialists
DBA: GI Specialists
80 Humphreys Center Dr. #200
Memphis, TN 38120

Other Clinics/Practices located at this site:
- None

105

Services:
- Administration of High Risk Medications (Outpatient)

- Anesthesia (Outpatient)
- Perform Invasive Procedure (Outpatient)
- Single Specialty Practitioner (Outpatient)

Stern Cardiovascular Clinic
Outpatient Diagnostics
8060 Wolf River Boulevard
Germantown, TN 38138

Services:
- Administration of High Risk Medications (Outpatient)
- Outpatient Clinics (Outpatient)

- Top -

The Joint Commission obtains information about accredited/certified organizations not only through direct observations by its employees **...Read more.**

State Survey/Inspection

Orderly Development 7 (d)

Rec 10/29/07
Resp. 11/4/07

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
781-B AIRWAYS BOULEVARD
JACKSON, TENNESSEE 38301-3203

October 25, 2007

Mr. Jason Little, Administrator
Baptist Memorial Hospital
6019 Walnut Grove Road
Memphis, TN 38120

Dear Mr. Little:

Enclosed is the Statement of Deficiencies, which was developed as a result of the full survey after a complaint, completed at your facility on October 18, 2007.

You are requested to submit a Credible Allegation of Compliance within ten (10) days after date of this letter with acceptable time frames for correction of the cited deficiencies. Corrective action must be achieved no later than forty-five (45) days from the date of the survey. Please notify this office when these deficiencies are corrected. A revisit must be conducted prior to the forty-fifth (45th) day to verify compliance. Once corrective action is confirmed, a favorable recommendation for re-certification will be considered.

The following Conditions of Participation have been found to be out of compliance:

A385	482.23	Nursing Services

Also, the following eight (8) standard level deficiencies cited for noncompliance: A166, A168, A175, A395, A396, A459, A468, and A630.

Based on noncompliance with the aforementioned Conditions of Participation, this office is recommending to the CMS Regional Office and/or Sate Medicaid Agency that your provider agreement be terminated effective January 18, 2008, which is ninety (90) days from the date of the survey. Please be advised that under the disclosure of survey information provisions, the Statement of Deficiencies will be available to the public.

Your plan of correction must contain the following:

- How the deficiency will be corrected;
- How the facility will prevent the same deficiency from recurring.
- The date the deficiency will be corrected;
- How ongoing compliance will be monitored.

If there are any delays in completing your Plan of Correction, please notify this office in writing. Before the plan can be considered "acceptable," it must be signed and dated by the administrator.

Should you have questions or if there is any way this office may be of assistance, please do not hesitate to call 731-421-5113.

Sincerely,

Celia Skelley, MSN, RN
Public Health Nurse Consultant 2

CS/TW

Enclosure

PRINTED: 12/22/2004
FORM APPROVED
OMB NO. 0938-0391

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440048	A. BUILDING _____ B. WING _____	C 8/21/07

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
BAPTIST MEMORIAL HOSPITAL	6019 WALNUT GROVE ROAD MEMPHIS, TN 38120

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
A 043	482.12 GOVERNING BODY The hospital must have an effective governing body legally responsible for the conduct of the hospital as an institution. If a hospital does not have an organized governing body, the persons legally responsible for the conduct of the hospital must carry out the functions specified in this part that pertain to the governing body. This CONDITION is not met as evidenced by: Based on review of standards of practice, manufacturer's guidelines, governing body meeting minutes, medical record review and interview, it was determined the governing body failed to assume responsibility for the conduct of all hospital personnel and ensure each patient received the highest quality of care consistent with acceptable standards of practice in order to prevent patient injury. The findings included: 1. The governing body failed to ensure the hospital provided surgical services in accordance with acceptable standards of practice. Refer to A049	A 043 A043 482.12	The BMH CEO immediately notified the BMH Memphis market leader (senior management) of the Immediate Jeopardy citation. The Baptist Memorial Hospital-Memphis Nursing Officer, with the support of the Director of Performance Improvement will have overall responsibility for ensuring the plan of correction. 1. The Governing Body Bylaws Article 3I states: "The Board is responsible for maintaining and evaluating the quality of patient care and safety through the various medical staff and administrative mechanisms including identifying and resolving problems and opportunities for improving patient care and safety." Article 7D states: "The Board shall request and review reports regarding the quality of patient care services." The CEO will present monthly reports to the governing body that will update on: core competency evaluation of anesthesia staff; evidence of mandatory training completion for anesthesia, surgeons, surgical allied	8/22/07 Ongoing Ongoing Ongoing Monthly

LABORATORY DIRECTORS OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE TITLE DATE

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440048	A. BUILDING BAPTIST MEMORIAL HOSPITAL B. WING _____	C 8/21/07

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
BAPTIST MEMORIAL HOSPITAL	6019 Walnut Grove Road Memphis, TN 38120

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
			health professionals, and hospital personnel who assist with invasive procedures.	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440048	A. BUILDING BAPTIST MEMORIAL HOSPITAL B. WING	C 8/21/07

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
BAPTIST MEMORIAL HOSPITAL	6019 Walnut Grove Road Memphis, TN 38120

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
		A043 482.12	**Performance Improvement** Initially a 90-day focused review via direct observation on 30% of cases will be performed by OR staff. Following focused review, required elements will be monitored monthly and reported quarterly through Operative Invasive Committee and Performance Improvement Committee. These committee reports will be reported quarterly by the CEO to the governing board. The CEO will also in his monthly written report to the board provide any updates to the quality monitors. Policies and procedures (attachments D – K, L and M) have been amended in accordance with AORN, ACOS, ASA and CDC recommendations. These changes to policy and practice will be reported to the board in the monthly board report on September 20, 2007	To begin 9/4/07 9/20/07
	2. The governing body failed to ensure surgeons and anesthesiologists were accountable to the governing body and received the appropriate training to prevent patient injuries. Refer to A 0940 and A 1000	A043	**Anesthesia Education** Mandatory education for all anesthesia personnel on fire safety and anesthesia responsibility for the safety and security of patients in the operative setting has been completed. Anesthesia personnel will not be allowed to work without documented evidence of training. Compliance of education will be reported to the governing board on September 20, 2007. **Contract Amendment** The current anesthesia contract states the anesthesia group will "use currently accepted methods and practice of medicine, adhere to applicable standards of care, medical ethics, policies and anesthesia protocols and comply with the requirement and standard of Medicare, JCAHO and any other accrediting agencies designated by the hospital, as well as all applicable laws, rules and regulations." The board has approved the current contract. An executed amendment to the current anesthesia contract will be approved at the next board meeting in October 2007, which requires annual fire safety training for all anesthesia providers (attachment AF)	Completed 9/6/07 100% Staff Educated Completed 9/20/07 Completed 9/6/07 Final Approval 10/2007
		A043	**Surgeon Education** Surgeons credentialed at Baptist Memorial Hospital received education related to OR fire safety, patient rights and safe use of alcohol	

Emergency Department CPT and ESI Definitions

Emergency department CPT codes - 99281, 99282, 99283

99281 Emergency department visit for the evaluation and management of a patient, which requires these 3 key components: A problem focused history; A problem focused examination; and Straightforward medical decision making. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are self limited or minor.

99282 Emergency department visit for the evaluation and management of a patient, which requires these 3 key components: An expanded problem focused history; An expanded problem focused examination; and Medical decision making of low complexity. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of low to moderate severity.

99283 Emergency department visit for the evaluation and management of a patient, which requires these 3 key components: An expanded problem focused history; An expanded problem focused examination; and Medical decision making of moderate complexity. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of moderate severity.

99284 Emergency department visit for the evaluation and management of a patient, which requires these 3 key components: A detailed history; A detailed examination; and Medical decision making of moderate complexity. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of high severity, and require urgent evaluation by the physician but do not pose an immediate significant threat to life or physiologic function.

99285 Emergency department visit for the evaluation and management of a patient, which requires these 3 key components within the constraints imposed by the urgency of the

patient's clinical condition and/or mental status: A comprehensive history; A comprehensive examination; and Medical decision making of high complexity. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of high severity and pose an immediate significant threat to life or physiologic function.

99288 Physician direction of emergency medical systems (EMS) emergency care, advanced life support

How ESI is just another 3-level system if not further stratified ....

- ESI 1
- ESI 2

→ Acuity & risk driven
13-18% of all patients

- ESI 3

→ The "tweeners"
High decision density
Often wait the longest
50% or more of all patients

- ESI 4
- ESI 5

→ Low acuity track eligible patients
25-40% of all patients

116

107

SUPPLEMENTAL #1

August 26, 2015

Jeff Grimm, HSD Examiner
Health Services and Development Agency
Andrew Jackson Building
502 Deaderick Street, 9th floor
Nashville, TN 37243

RE: Certificate of Need Application CN1508-037
Baptist Memorial Hospital
Satellite Emergency Department in Lakeland

Dear Mr. Grimm

Enclosed are the responses to the need for clarification or additional discussion on items in the CON application referenced above.

Please contact me if you need additional information. Thank you for your attention.

Sincerely,

Arthur Maples
Dir. Strategic Analysis

Enclosure

SUPPLEMENTAL RESPONSES

SATELLITE EMERGENCY DEPARTMENT IN LAKELAND

BAPTIST MEMORIAL HOSPITAL

CN1508-037

SUPPLEMENTAL #1
August 31, 2015
10:16 am

1. **Proof of Publication**

   The copy of the published LOI is missing the name of the newspaper and is difficult to read. Please submit a copy of the published LOI with date & mast intact or a publisher's affidavit that verifies same.

   Response:
   The publisher's affidavit and a copy of the Notice of Intent with date and mast intact are provided following this page.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

The Commercial Appeal
Affidavit of Publication

STATE OF TENNESSEE
COUNTY OF SHELBY

Personally appeared before me, Patrick Maddox, a Notary Public, Helen Curl, of MEMPHIS PUBLISHING COMPANY, a corporation, publishers of The Commercial Appeal, morning and Sunday paper, published in Memphis, Tennessee, who makes oath in due form of law, that she is Legal Clerk of the said Memphis Publishing Company, and that the accompanying and hereto attached advertisement was published in the following editions of The Commercial Appeal to-wit:

August 10, 2015

Helen Curl

Subscribed and sworn to before me this 13th day of August, 2015.

Notary Public

My commission expires February 15, 2016.

PATRICK MADDOX
STATE OF TENNESSEE NOTARY PUBLIC
SHELBY COUNTY

My Commission Expires 02/15/2016

SUPPLEMENTAL #1
August 31, 2015
10:16 am

2. Section A., Applicant Profile, Item 3 and Item 9

Item 3 – The address of BMH-Memphis differs from both the published LOI and the TDH Licensed Health Facilities Report. Please clarify.

Response:
The physical address of BMH-Memphis is correct in the published LOI and on the License. The registered corporate address was mistakenly entered on the application and has been corrected on the following replacement page. The physical address of the hospital is 6019 Walnut Grove Road, Memphis, Shelby County, Tennessee 38120

Item 3 – the proposed satellite ED is shown in the organizational chart. How will the new LLC formed in August 2015 as a part of the project (Highway 64 and Canada Road JOA No.2, LLC) be shown in BMH's organization chart going forward?

Response:
The Highway 64 and Canada Road JOA No.2, LLC was formed as part of the joint operating agreement (JOA). The LLC will not be shown in BMH's organizational chart but in the organization of the JOA. The organizational chart of the JOA is provided as Exhibit B with the executed Letter of Intent regarding entering into the JOA. Another Exhibit A describes the terms of the agreement. The Letter and Exhibits are provided in response to a subsequent supplemental question.

Item 9 – BMH licensed beds are shown as 706 total beds in the table in lieu of 927 total beds on the TDH Health facilities Report. Does BMH-Memphis have a main and satellite campus(s) that might explain the difference Please clarify. If in error, please revise the Bed Complement table and submit as a replacement page labeled 3-R.

Response:
Three campuses comprise the 927 licensed beds on the TDH Health facilities Report. BMH-Memphis is the main campus with 706 beds. Baptist Memorial Hospital-Collierville (BMH-Collierville) is a campus in Collierville, TN with 81 acute beds and Baptist Memorial Hospital for Women is a campus adjacent to BMH-Memphis with 140 beds including 40 Neonatal ICU beds and 100 acute beds.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

3. **Section A, Applicant Profile, Item 5**

The response indicates that management and operation will remain with the owner and references an attachment that documents a recent Joint Operating Agreement (JOA) between BMH and Regional One Health. However, the attachment is missing from the application. Please provide a copy of the agreement.

Absent a copy of the JOA in the application, the description of the agreement in the executive summary appears to indicate that the JOA may involve some form of management services for the proposed satellite ED. For example, the applicant states on page 4 note that "...the facility will be licensed as part of BMH but will be developed, operationalized and marketed through a joint operating agreement between BMH and Regional One".. As such, it seems that a management agreement may be planned for the proposed satellite ED. Please clarify.

Response

On the following pages is the executed Letter of Intent to enter into a Joint Operating Agreement (JOA) for the operation of Free Standing Emergency Departments between Baptist Memorial Hospital, Inc, a Tennessee nonprofit corporation d/b/a Baptist Memorial Hospital - Memphis and Shelby County Health Care Corporation, a Tennessee nonprofit corporation d/b/a Regional One Health ("Regional One").

Exhibit A describes the Emergency Services Venture that is not a management agreement but an arrangement for collaboration in developing, operationalizing and marketing.

Exhibit B shows the JOA components of Real Estate, Equipment and an arrangement with a Developer operating through LLC's for the Kirby site and the Hwy. 64 site that are two separate CON applications submitted to the HSDA concurrently.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

Regional One Health

August 14, 2015

Baptist Memorial Hospital d/b/a Baptist Memorial Hospital, Inc. - Memphis
Attn: Jason Little, President and CEO
350 N. Humphreys Blvd.
Memphis, TN 38120

Re: Joint Operating Agreement for the Operation of Free Standing Emergency Departments between Baptist Memorial Hospital, Inc., a Tennessee nonprofit corporation d/b/a Baptist Memorial Hospital - Memphis ("Baptist") and Shelby County Health Care Corporation, a Tennessee nonprofit corporation d/b/a Regional One Health ("Regional One")

Dear Jason:

The purpose of this Letter of Intent is to confirm the intent of Regional One to enter into a Joint Operating Agreement (the "FED JOA") with respect to the development of freestanding emergency departments in the Memphis metropolitan service area in a manner consistent with the provisions of the term sheet attached hereto as Exhibit A (the "Term Sheet") and the chart attached hereto as Exhibit B.

While the terms and conditions set forth in the Term Sheet constitutes a good faith summary by the parties of their intent with respect to the FED JOA and the filing of a certificate of need application by Baptist, the Term Sheet does not contain all of the critical terms of the proposed FED JOA and is subject to the terms and conditions set forth in a formally executed FED JOA.

Please feel free to contact us if you have any questions. We look forward to working with you to finalize this transaction.

Sincerely,

Reginald W. Coopwood, M.D., President and CEO,
Shelby County Health Care Corporation
d/b/a Regional One Health

ACKNOWLEDGED AND AGREED TO THIS 14th DAY OF AUGUST, 2015

Baptist Memorial Hospital, Inc. d/b/a
Baptist Memorial Hospital - Memphis

By: _____
Jason Little, President and CEO

EXHIBIT A

Baptist Memorial Hospital, Inc.
Regional One Health
Freestanding Emergency Department Project

Baptist Memorial Hospital, Inc./Proposal for Emergency Services Venture:

- Baptist Memorial Hospital, Inc., through its controlled hospital affiliate Baptist Memorial Hospital - Memphis (Baptist), has developed a plan and pro-forma financial analysis for the provision of free-standing emergency department ("FED") services in the Memphis metropolitan service area.

- Baptist would propose to offer a minority investment opportunity to Shelby County Health Care Corporation d/b/a Regional One Health (Regional One) in a collaborative arrangement in which Baptist and Regional One would be economic co-venturers with respect to the provision of FED services at multiple locations.

- One site will be located at 6525 Quince Road (Kirby Site) (owned by a subsidiary of Regional One) and another at Highway 64 just east of Canada Road, and they are to be operated collectively under a joint operating agreement collaborative arrangement (the "FED JOA").

- Capital costs (via the LLC) and profits/losses (via the FED JOA) will be shared 60% by Baptist and 40% by Regional One with respect to the FEDs to be developed under the FED JOA.

- Baptist will file CON applications for the FED sites. Regional One will provide input on, comment on, and have the right to approve all FED CON applications such consent not to be unreasonably withheld. In connection with the Kirby CON filing, Regional One will grant Baptist an assignable option to lease the Kirby site.

Joint Operating Agreement (JOA) Model

- Each FED would be provider-based to the host hospital. Baptist would be the host hospital for all FED sites, including Kirby.

- Baptist and Regional One would establish a JOA Governing Board, with Baptist and Regional One holding an equal number of Board positions, to govern the FED sites.

- The FED host hospital would delegate to the JOA Board certain powers, including the authority to recommend operating and capital budgets, oversight of FED management and the ability to allocate resources relative to the FED service line, consistent with the provider based rules.

- Once a FED becomes operational, the budgeting, personnel, management, service line director, contracting, and similar decisions will become items with respect to which the host hospital must reserve final approval due to the provider-based rules unless the service is not provider based, notwithstanding the delegation of authority to JOA Governing Board.

- One or more discrete new limited liability companies (each, a "Newco LLC") shall be formed by Baptist and Regional One (owned 60/40) to house and/or lease the real estate and equipment to be used at each FED site and provide a structure to capitalize the same.

EXHIBIT B

Baptist Memorial Hospital, Inc.
Regional One Health
Freestanding Emergency Department Project

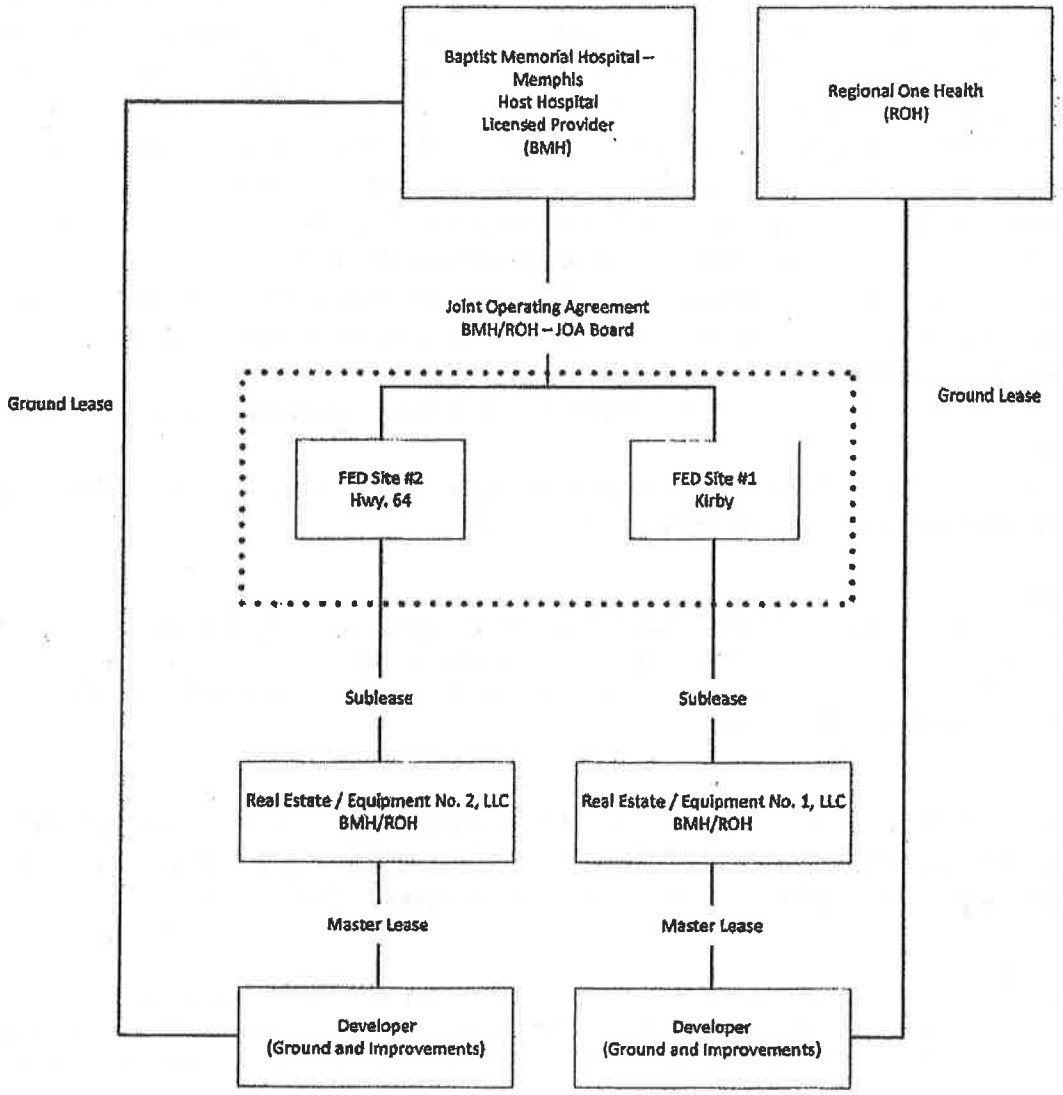


Exhibit B

4. Section A., Applicant Profile, Item 6

The applicant has provided the following documentation to confirm legal interest in the site:

- Copy of fully executed Option to Lease agreement effective 8/14/15 between BMH and Duke Realty (developer). Of note, key terms in the agreement reflect the following; (a) Duke Realty will lease the 12.88 acre site from BMH once BMH executes its option to acquire the land for the project; (b) developer will construct a new 1-story free standing building with 25,000 square feet of useable space for use as an emergency department with related services; and (c) developer will lease the building to Highway 64 and Canada Road JOA No. 2, LLC, a Tennessee limited liability company (Newco) formed in August 2015 and a wholly owned subsidiary of BMH-Memphis. The terms in the agreement also reflect that Regional One Health (ROH) anticipates acquiring a 40% ownership interest in Newco.
- Copy of assignment agreement effective August 5, 2015 between BMH and owner of 12.88 acre site for construction of the proposed satellite ED.
- Purchase and Sale Agreement of the 12.88 acre site effective on or about July 24, 2015 in the amount of $900,000 between Stonebridge Properties (seller) and M. Anderson Cobb, Jr., Trustee (buyer).

It appears that the following items may also be needed to confirm site control of the project:

- Documentation in the form of a copy of a current deed or title to the 12.88 acre site to confirm current ownership of the 12.88 acre site.

Response:
A copy of the executed Purchase and Sale Agreement has been provided along with a letter to the buyer verifying that that all right, title, and interest into the Purchase and Sale Agreement has been assigned to Baptist Memorial Hospital.

- Documentation in the form of a fully executed agreement between BMH and Highway 64 and Canada Road JOA No. 2, LLC confirming that the LLC will be the primary party to the building lease agreement with the developer.

Response:
In the Section A-6 Attachment with the original application is a letter regarding the proposed development of free standing emergency department ("FSED") building to be located at Intersection of Hwy 64 & Canada Road in Memphis, Tennessee. The letter is signed by Duke and acknowledged and agreed by Baptist Memorial Health Care Corporation and Baptist Memorial Hospital. Within the letter is the statement in Exhibit A Term Sheet page 3 regarding the Ground Lease,"… BMH-Memphis shall ground lease said land to Duke Realty upon the following terms;…". Also in Exhibit A on page 1 in the TENANT(S) section is the statement, "Highway 64 and Canada Road JOA No. 2 LLC, hereinafter

referred to "Newco" … wholly owned subsidiary of Baptist Memorial Hospital."

Upon approval of the CON application it is the intent of Baptist Memorial Hospital to use Highway 64 and Canada Road JOA No. 2, LLC as the primary party to the building lease with the Developer.

- Copy of fully executed joint venture agreement between BMH and ROH should any references to site control be referenced in the document.

Response:
The description of site control is provided in the previous response describing the letter of intent.

5. Section B, Project Description, Item I.

The applicant identifies a joint operating agreement between BMH and Regional One Health to work together to establish best practices at the proposed Satellite ED. The comments on pages 6, 20 and 21 pertaining to the need for additional ED capacity at the 2 hospitals and the projected volumes of the proposed facility using the 2 hospital's ED volumes in 2014 highlight some of the potential benefits of this arrangement. In other parts of the application, it also appears there is a financial benefit from the JV related to cost sharing for the estimated start-up capital needs of the facility. Please briefly summarize the major benefits of the arrangement.

Response:
The Joint Operating Agreement (JOA) establishes an arrangement between the 2 organizations to combine and channel best practices into a new facility that will operate under the license of the host hospital, Baptist Memorial Hospital (BMH). Both BMH and Regional One Health (ROH) capacity in their emergency departments in their respective main hospital campuses. Under the JOA the main hospitals will retain their separate identities while joining together financially and through operational collaboration to provide services to patients in a single setting that is convenient to the patients' both geographically and in terms of timely access.

Each party will have input to achieve the common objective of providing high quality accessible emergency health services. The locations also provide a community based platform for addressing general community health needs and improving the health of the population.

The new setting will be a catalyst for patient interactions that can develop, build and strengthen the services of BMH and ROH in a new venue.

Please briefly discuss the relationship between BMH and Highway 64 and Canada Road JOA No. 2, LLC, the new Tennessee limited liability company formed on 8/12/15.

Response:
The LLC as presented in a previous response is the vehicle for implementing the Joint Operating Agreement. BMH will initially own 100% of the LLC, but the ultimate ownership structure will be 60% by BMH and 40% by ROH.

As requested above in Question 2, please provide a copy of the joint operating agreement to document the nature and scope of the arrangement between the parties as it might relate to membership in Highway 64 and Canada Road JOA No. 2, LLC, management of the proposed satellite ED facility, funding support for the project and coordination of ED patient referrals to the satellite ED by BMH & Regional One Health.

Response:
Please see response for question 2.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

What are the distances between the applicant's proposed satellite emergency facility, the BMH Satellite ED-Memphis facility in CN1508-036, and the main emergency room at BMH-Memphis on 6019 Walnut Grove road?

Response:

	BMH Memphis- 6019 Walnut Grove Rd
Satellite ED in Lakeland	11.2 miles; 16 minutes driving time
Satellite ED in Memphis	6.8 miles ; 9 minutes driving time

The table provided on page 23 of the application indicates an increase of 16,000 ED visits at Shelby County hospitals from CY 2012-CY2013. Using the American College of Emergency Physician (ACEP) 1,500 visit/ED room benchmark, the additional need in the county is approximately 11 rooms. This project and its companion CON application, BMH-Memphis, CN1508-036, collectively seek approval to add 22 ED rooms to existing ED supply in Shelby County. Given these metrics, please explain why BMH wants to add a total of 22 rooms through both projects at this time. If only one of the two CON applications is needed, which project would the applicant prefer to see approved as the more necessary of the two and why.

In your response, please also note the ED room visit benchmark that BMH considered it its estimate of treatment rooms needed for the project. If different from the ACEP 1,500/room benchmark noted above, please discuss by providing an overview of the alternative benchmark and its merits.

Response:

While the standard from ACEP is useful for benchmarking, it represents the average of many facilities with varying functional programs. As stated in the application, attention is given in these proposed locations to geriatric and pediatric patients who may require longer periods and treatment spaces. The satellite emergency facilities will be able to accommodate patients' needs in a lower volume environment, allowing more time inside the treatment areas with families. Since both facilities are designed to meet the needs of the area, they are both needed.

The ACEP is actively involved with The Emergency Department Benchmarking Alliance (EDBA) which maintains an independent database of demographic and performance metrics. Multiple variables are involved in benchmarking ED patient care spaces. An excerpt from an August 2014 article titled Emergency Department Benchmarking Alliance Reports on Data Survey for Next-Generation ED Design includes:

> The **Emergency Department** Benchmarking Alliance (EDBA) is now reporting on the data survey for 2013, with data from 1,100 EDs that saw 42 million patients.[2] The results of this survey allow ED leaders to find data to support renovation and redesign projects.

Many hospital CEOs will insist that the ED be built for 2,000 encounters per bed because that rate is a known fact. Like many "facts" about the ED, this one is wrong.

There is currently no basis to compare these numbers, but most emergency physicians realize that an ED with an unusually small footprint is noisy, is cramped, has relatively little privacy, and has little room for families.

Although a specific design standard for number of patient care spaces per annual number of visits or square footage per annual visits is not published, the EDBA article confirms continued growth in ED utilization through reference to another established survey tool which is the *National Hospital Ambulatory Medical Care Survey*. It has been providing insight into ED patient volume, acuity, testing, treatment, and disposition since 1992. The survey has recorded growth in patient volumes of between 2.5 and 3 percent per year since 1992. The number of EDs has not been increasing, and this steady growth in patient volume has challenged the physical resources of many departments in the United States.

The 2014 edition of *Guidelines for Design and Construction of Hospitals and Outpatient Facilities: Facility Guidelines Institute* Section 2.3 Specific Requirements for Freestanding Emergency Facilities 2.3-3.1 states "Facilities for emergency care services shall be provided in accordance with the requirements in Section 2.2-3.1.3 (Emergency Department) to accommodate the type, size, and number of services provided in the freestanding emergency facility."

In its CON from 2007, BMH provided a table "High and Low range estimates for department area and bed quantities" that came from *Emergency Department Design A Practical Guide to Planning for the Future* published by the American College of Emergency Physicians that stated a range from 25,500 dgsf to 34,000 dgsf for 50,000-60,000 annual projected visits. In 2014 the number of visits at the BMH Memphis ED was 62,451.

In addition to the above considerations, community expectation for timely access to service continues to evolve in the 21st century fast paced society. It is no longer acceptable for patients to wait an hour or more to be seen by a health care professional. One of the goals achieved by the project is creation of more ED capacity in the community, so that patients who otherwise would have service at BMH or ROH will have convenient options for quicker care.

Please provide an overview of the applicant's experience in operating a satellite emergency facility.

Response:
The satellite emergency facility will be operated in a manner consistent with other BMH emergency departments. Baptist

Memorial Hospital has operated emergency facilities for more than 100 years. The most recent expansion at the main facility began in 2008 and was completed in 2011. The expansion was phased in order to maintain operation at the facility. Expansion of existing facilities requires coordination and can be disruptive to patients' way finding through the facility.

In terms of existing resources, please include a brief description for staffing of the proposed satellite ED by board certified emergency medicine physicians who have met BMH credentialing standards, with estimated number of ED physicians that are needed to staff the proposed facility. Since it appears that physician services will be provided by contract with Team Health, please also provide a brief overview of the Emergency Physician Group that will be staffing the ER.

Response:
The emergency departments will be staffed by TeamHealth that also provides staffing for the BMH main campus ED. All TeamHealth physicians are credentialed to practice at Baptist Memorial Health Care facilities.

Please briefly highlight the role of the electronic medical record (EMR), telemedicine and other forms of telecommunications that will be used in the proposed facility. Since referral coordination with Regional One Health appears to a part of the project, please address how patient EMR systems between BMH and ROH will be utilized.

Response:

Interoperability
Baptist Memorial HealthCare Corporation utilizes the Epic system in conjunction with SureScripts to provide health information exchange with other providers. Health information exchange is managed through the Epic product Care Everywhere. The Care Everywhere product allows for exchange of health information in the CCD prescribed format. This format is the nationally recognized standard for exchanging information. Care Everywhere is able to send information in several ways:

- To other Epic customers
- To direct addresses of outside electronic medical record systems *
- Through the partnership with SureScripts to a portal for patient health information pickup of records.

All electronic medical records systems that are certified for meaningful use have the ability to exchange health information. The method of exchange occurs by sending health information to a Direct address (national standard). This methodology is used successfully across the country between software vendors to improve interoperability, patient treatment, and outcomes.

* Baptist's partnership with Regional One Health would include the exchange of health information utilizing the direct address

methodology. The exchange would be built and tested then managed at the hospital level for accurate patient match.

Classroom- on site and virtual

Health classes can be provided in person or through the use of a classroom equipped with the needed technology- camera, phone, speakers and PC for on site participants. For anyone wanting to join remotely, this same technology can be extended with the use of webinar, Skype, and desktops with potential expansion to mobile devices.
BMH is currently establishing telehealth capabilities in multiple locations. Telehealth capability will be extended to the satellite emergence departments. Initially, telestroke carts are planned to be available for acute stroke patients that present for evaluation and initial treatment. These carts can also be used for consults with other specialists from BMH and ROH. Baptist Health Care currently uses telehealth to provide acute stroke evaluations in 5 facilities and ID consults from Memphis to Oxford. BMHCC will be expanding that technology across the organization to provide specialty consultation in several specialties. BMHCC is also installing the technology in all of the system's acute care facilities, and this is planned to include the free-standing EDs, to provide continuous oversight and care to all the patients in all of the intensive care units within the Baptist system.

As technology improves and both physicians and consumers become more comfortable, expanding services to include specialty and chronic care will be explored.

In addition to the joint venture arrangement with Regional One Health, What types of innovative programs have been implemented by the applicant to ease emergency department overcrowding? Has the applicant partnered with community based organizations and others such as the Christ Community Health System network of federally qualified health centers in Memphis to develop alternatives to ED use by patients with non-urgent needs and identify potential primary care medical homes for these individuals in the community?
What happens if a patient who should have gone to an acute care hospital goes to/is brought to the proposed satellite ED?

Response:
Programs have been implemented to educate patients on the availability of services at the minor medical centers. Baptist Minor Medical has 3 locations in the Memphis area that provide online and mobile patient check-in services.

Additionally, BMH was one of founding partners of Christ Community Health Services and provides significant funds annually to the organization.

The satellite emergency facilities will provide full patient services. Patients who need more complex services that is not available at that

location will be stabilized and transported to the appropriate facility.

Future Posting of ED Wait times
The Epic system has the functionality to send ED wait times to a website accessible from an internet browser. BMH and ROH will work together to implement a process whereby current wait times of the Ed facilities including the satellite locations can be conveniently accessed by patients. Additional discovery is needed to determine how to post the Regional One Health ED times via their vendor. Posted times would be per hospital or freestanding ED.

It is noted that the methodology used on pages 20 and 21 of the application with related attachment (Emergency Department CPT Codes and ESI Definitions") incorporates an acuity adjustment factor to project utilization of the proposed satellite ED. Should this be interpreted to mean that patients with less severe acuity conditions such as Level 1, Level 2 and/or ESI 4 and ESI 5 patients will use the proposed facility? Please clarify.

Response:
The acuity adjustment is based on the acuity levels at all of the Baptist Memorial Health Care facilities over the previous 12 months. As previously stated, this will be a full service emergency department. Trauma and other patients at ESI level 1 and 2 that require services beyond what is offered at the satellite ED will be stabilized and transported. In order to provide a conservative estimate of patients who would utilize the new service, the triage adjustment is a proportional reduction across all CPT levels for patients who may choose to travel to a main hospital campus, who may be taken by transport by an ambulance service, or who may feel their needs are more urgent than could be provided at a location other than a main campus.

It is noted the applicant is not planning to provide MRI services at the proposed satellite ER. Please describe the reasons why MRI imaging studies performed at the proposed facility may not be needed at this time. If Level IV and V patient conditions will be treated at the proposed facility, what arrangements are planned for access to an existing MRI service close to the facility?

Response:
In BMH's experience, MRI services are rarely needed for emergency department patients. At the Kirby location, an MRI will be available at ROH for some portions of the day in a nearby/adjacent imaging center. As previously stated, patients who need more complex services than are available at that location will be stabilized and transported to the appropriate facility.

Please clarify if mobile crisis staff will have access to conduct assessments. If so, where? Please also identify where law enforcement will be located in the facility.

Response:

BMH Memphis has an agreement with Alliance Healthcare Services to provide behavioral health assessments including triage, psychiatric consultations and recommended dispositions. This contract is expected to be extended to the new satellite emergency departments.

As shown on the floor plan, security will be located in the waiting and registration area.

Many times emergency room copays are waived if the patient is admitted inpatient. Please clarify if this arrangement is possible at the proposed satellite ED.

Response:
Charges must be entered consistently for all patients. If a patient is admitted, the charges that were assessed as an outpatient visit will be rolled into the inpatient bill based on insurance plan design. For example, for Medicare if admitted in less than 4 days after the visit, the separate outpatient charge will be removed.

On Monday December 15, 2014, Tennessee Gov. Bill Haslam unveiled his Insure Tennessee plan, a two year pilot program to provide health care coverage to Tennesseans who currently don't have access to health insurance or have limited options. The program rewards healthy behaviors, prepares members to transition to private coverage, promotes personal responsibility and incentivizes choosing preventative and routine care instead of unnecessary use of emergency rooms. What will the impact of Insure TN have on the applicant's volume projection?

Response:
BMH fully supports the Insure Tennessee plan. Currently, the political challenge to implementation of Insure Tennessee makes its potential impact speculative. If Insure Tennessee were to be implemented in the future, BMH expects that this would increase the demand for ED services, but the project has been planned without regard to this possibility.

Please clarify if an ambulance will be stationed at the satellite ED 24 hours/day, 7days/week, 365 days/year for life-threatening transports to full service hospitals.

Response:
Baptist Memorial Hospital has an agreement with MedicOne Medical Response to provide non-exclusive ambulance transfer services as may be requested by Baptist's patients. The determination about the availability of a 24 hr/day vehicle at this location will be made after some experience is gained to evaluate patient needs. It is anticipated that in the early stages, an ambulance will either be at this location or on call with Baptist Memphis.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

6. Section C, Project Description, Item II.A.

The Square Footage Chart appears to identify 15,302 useable square feet for the proposed facility. Review of the terms of the 8/14/15 option to lease between BMH and Duke Realty revealed that the new building will contain 25,000 rentable square feet. Please clarify why the amounts differ.

While it is understood that the applicant plans to lease the space for the satellite ED for an initial period of 15 years, it appears that the $6,731,370 building cost in the 8/3/15 letter from the architect might have been used to help complete the Square Footage Chart in the column labeled as Proposed Final Cost/SF (new construction). Please clarify.

Response:

The rentable square feet in the lease and the floor plans are correct. The square footage and cost per square footage chart was completed based on construction of the building. The difference is in the interpretation of the categories on the square footage chart and on the lease. The square footage cost chart was completed by the architect and related to construction. The terms in the development contract were applied by the developer. The space as presented in the lease and the square footage cost chart are the same.

The square footage cost chart was completed as a requirement of the CON application.

The cost per square foot in the square footage chart was calculated using the cost of construction of the building.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

7. Section B, Project Description, Item III.A

The plot plan for the proposed facility on a 12.88 acre site is noted. Please indicate the future plans the applicant has for the remaining parcel of land.

It appears that a helipad has not been planned for this facility. Please briefly describe the reasons that air transport may not be necessary for transfer of Level IV or V patients who require immediate air evacuation to major trauma centers.

Response:
There are hospitals within the service area that have not constructed helipads because of the low rate of transport. Like hospitals in the area each location has an open area that can be used for helicopter access. Discussions with the location air transport, Hospital Wing, have confirmed that an area of 100 ft x 100 ft is adequate for helicopter use if the approach path is clear (No power lines, light poles or tall trees inside 100x100 area).

Please identify the names, addresses and distances from the proposed ED to the closest hospital ED facilities in Shelby County from the proposed satellite ED. Using the 11 zip codes included in the service area proposed for the satellite ED, please complete the chart provided below.

Distance to Hospital EDs from Zipcodes in Applicant's Service Area

Zip	Community	Hospital ED	Distance in Miles	Drive time in Minutes
38002	Arlington	St Francis Bartlett	7.4	12
38016	Cordova	St Francis Bartlett	3.7	10
38018	Cordova	Methodist Germantown	4.3	10
38028	Eads	St Francis Bartlett	11.1	19
38049	Mason	St Francis Bartlett	24.9	27
38060	Oakland	St Francis Bartlett	17.7	26
38068	Somerville	St Francis Bartlett	26.2	35
38076	Williston	St Francis Bartlett	26.6	36
38133	Memphis	St Francis Bartlett	0.1	1
38134	Memphis	St Francis Bartlett	4.8	11
38135	Memphis	Methodist North	4	10

*Sources: Google Maps, centroid of zip codes

SUPPLEMENTAL #1
August 31, 2015
10:16 am

8. Section B, Project Description, Item IV (Floor Plan)

The floor plan of the proposed satellite facility sized for 24,931 rentable square feet is noted. Please provide clarification for the following:

- Is the waiting room capacity adequately sized to serve a 10 treatment room emergency facility?

  Response:
  According to the FGI guidelines 2.3-6.2) it states "provision must be made for public waiting". The waiting area is designed for patient and family comfort. 2 waiting areas for a total of 1,010 sq ft are provided to accommodate the special needs of pediatrics and adults. The waiting time per patient will be minimized with attention to efficient patient flow.

  An additional waiting area of 302 sq ft is for people arriving for community services rather than emergency services.

- How will the behavior room be used and what conditions will be treated? Will the room be secured?

  Response:
  The room is to accommodate patients who may need psychiatric evaluation. The room will be designed to minimize risk of personal patient injury. As described in another question, BMH may contact Alliance Healthcare Services for evaluation. In some cases, the room may also be used for pediatric patients.

- Will any of the treatment rooms be set up to "swing" for use for other purposes such as triage/ exam? Please clarify.

  Response:
  All the rooms will be equipped and stocked to handle all types of patients.

- What options may be considered for use of the area labeled as "Future" in the floor plan?

Response:
As discussed elsewhere in the application, this facility will be able to provide telemedicine services for patients who are enrolled in chronic disease management programs. Medical home consultation will continue to grow as people and physicians become more comfortable with virtual visits and group educational sessions.

Medical home counseling, community room, and conference/library can all be used to support educational sessions to achieve the priorities identified in the community health needs assessment. Two of the top priorities for Baptist are obesity and diabetes.

Please complete the chart below:

Proposed Changes to BMH-Memphis Emergency Department (ED)

Patient Care Areas other than Ancillary Services	# Hospital ED	# Satellite ED	# Combined EDs
Exam/Treatment Rooms (multipurpose)	43	8	51
Multipurpose			
Gynecological	2	1	3
Holding/Secure/Psychiatric	2 included in exam	1 included in exam	3 included in exam
Isolation	2 included in exam	1 included in exam	3 included in exam
Orthopedic	2		2
Trauma (major procedure)	6	1	7
Other (ENT)	1		1
Triage Stations	3 not rooms	2 not rooms	5 not rooms
Decontamination Rooms/Stations	1 area not room	1 area not room	2 area not room
Total			
Useable SF of Main and Satellite ED's	54	10	64

All rooms are stocked to accommodate all patient types.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

9. Section C, Need, Item 1 (Project Specific Criteria) Construction, Renovation, Item 3.a

As noted on page 22, the population of the 11 zip code areas is expected to increase by 5.2% from 257,102 residents in 2015 to 270,494 residents in 2020. It may be helpful to include projected growth of the zip code service area population in the chart provided on page 15.

Response:

Zip	City	2016	2017	2018	2019	2020
38028	Eads	7,090	7,186	7,282	7,378	7,474
38060	Oakland	10,160	10,305	10,451	10,596	10,741
38068	Somerville	10,613	10,596	10,578	10,561	10,543
38076	Williston	799	796	792	789	786
38002	Arlington	45,778	46,652	47,527	48,401	49,275
38016	Cordova	47,645	48,289	48,934	49,578	50,222
38018	Cordova	37,550	38,019	38,487	38,956	39,424
38133	Memphis	21,646	21,780	21,915	22,049	22,183
38134	Memphis	42,274	42,383	42,491	42,600	42,708
38135	Memphis	31,508	31,735	31,963	32,190	32,417
38049	Mason	4,715	4,717	4,718	4,720	4,721

The combined growth in ED visits by the applicant and Regional One Health amounts to approximately 8,537 ED visits from 2014 to 2015 (page 13 table). Additionally, the applicant projects 4,776 visits in Year 1 increasing by approximately 49% to 7,127 visits in Year 2. Using a standard of 1,500 visits per treatment/exam room, it appears that the need for additional treatment rooms amounts to 5 - 6 rooms. Please clarify how the applicant determined that the proposed BMH satellite ED should contain 10 additional treatment rooms and 22 ED rooms when consolidated with the applicant's proposed Satellite ED-Memphis application.

Response:

As discussed in question 5, The 2014 edition of *Guidelines for Design and Construction of Hospitals and Outpatient Facilities: Facility Guidelines Institute* Section 2.3 Specific Requirements for Freestanding Emergency Facilities 2.3-3.1 states "Facilities for emergency care services shall be provided in accordance with the requirements in Section 2.2-3.1.3 (Emergency Department) to accommodate the type, size, and number of services provided in the freestanding emergency facility."

Another factor in evaluating the number of treatment rooms is the patient differences. One of the goals of the freestanding ED is to be sensitive to the needs of the

special patient groups. ED length of stay is 20% longer for geriatric patients.

Patients expect less waiting and idle time as indicated by the HCAHPS (is a survey instrument and data collection methodology for measuring patients' perceptions of their hospital experience) scores. A recent article published by an architect with experience in healthcare projects states that "Modern design involves planning for peak times, fluctuations, and cycles. Design is for the maximum not the mean need with optimum flexibility for volume shifts."

Please clarify if there is a shortage of primary care physicians in the applicant's proposed satellite ED service area that would force patients to go to an emergency room for routine treatment.

Response:
The growth in emergency room visits is discussed previously in the application.

According to a study by Truven in 2013, when looking at the Kirby zips and population growth between years 2015-2020, there is a need for General/Family Practice physicians. The Health Professional Shortage Areas (HPSAs) of primary care physician need appear to be in zip codes 38134 and 38135.

Please briefly recap the addition of treatment rooms to the main campus BMH ED over the past 5-10 years. Is the footprint of the ED on the BMH-Memphis campus insufficient to accommodate further expansion?

Response:
The most recent expansion was completed in 2011 and has expanded to the extent possible on the land available in the northeast direction closest to Brierview Street. The expansion was phased in over 3 years because of the need to keep the ED operational. However, the long construction caused inconvenience to both staff and patients. The primary reason for the addition was to improve the privacy and comfort of patients in the treatment area. The number of treatment spaces increased from 50 to 54.

10. Section C, Need, Item 3 (Service Area)

Review of the map on page 19 and comparison to a similar map in CN1508-036 revealed a distance of less than 10 miles between the 2 proposed facilities and possible overlap of some of the zip codes used for the service areas in both CON applications. Please clarify.

Response:
The applicant did not indicate primary service areas within the same zip codes. The areas for the facilities were chosen based on the number of patients being treated at both BMH and ROH in order to relieve the demand on the current facility or areas that were underserved due to location of hospitals or recent closure of facilities. The zip codes are the smallest available discrete population areas for measurement. Data are available based on patient zip code origin.

In your response, please also provide a similar map that shows the locations of both proposed BMH satellite ED facilities and all hospital EDs in Shelby County.

Response:
A map is provided on the following page.

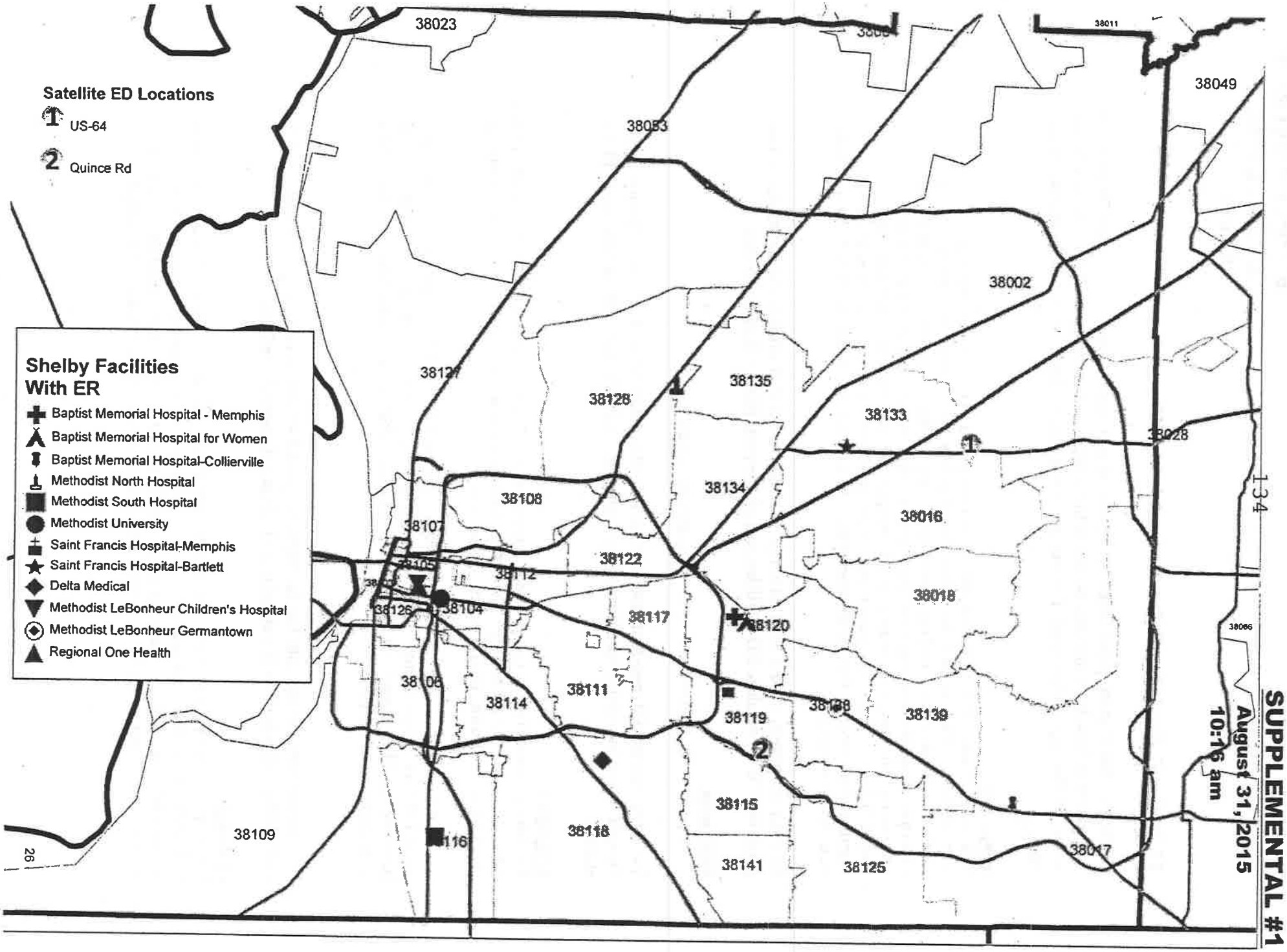
To what extent did resident use of hospital EDs other than BMH and Regional One Health factor into determination of the proposed facility's zip code service area? Please clarify.

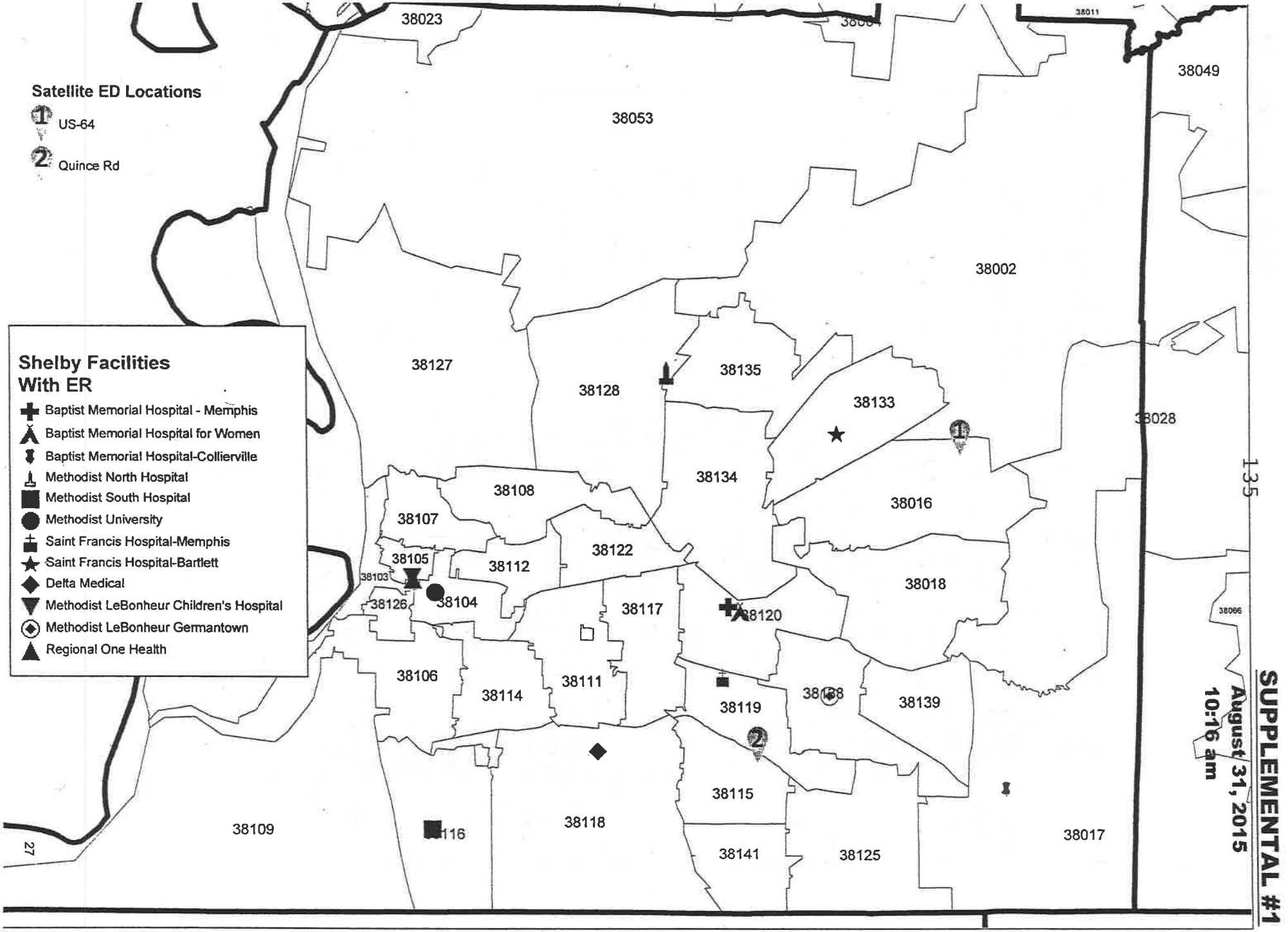
Response:
Primary consideration was distance from existing BMH and ROH facilities in Shelby County and access to patients currently utilizing those emergency departments.

It is anticipated that some patients will choose the new facilities because of convenience, but patients who have historically used other facilities are not considered in this CON application.

Please compare the satellite ED facility's proposed service area by zipcode with BMH's main ED service area for the most recent 12-month period available.

Response:
Shelby County is the primary service area. See chart on the following page, showing that the zip codes associated with both proposed satellite emergency departments are the origin for 50% of the patients seen in the BMH emergency department in 2014.


Satellite ED Locations
1 US-64
2 Quince Rd
Shelby Facilities With ER
Baptist Memorial Hospital - Memphis
Baptist Memorial Hospital for Women
Baptist Memorial Hospital-Collierville
Methodist North Hospital
Methodist South Hospital
Methodist University
Saint Francis Hospital-Memphis
Saint Francis Hospital-Bartlett
Delta Medical
Methodist LeBonheur Children's Hospital
Methodist LeBonheur Germantown
Regional One Health
38023
38053
38011
38049
38002
38127
38128
38135
38133
38028
38134
38108
38016
38107
38122
38112
38018
38104
38117
38120
38106
38111
38114
38119
38139
38115
38109
38118
38141
38125
38017
134
26
August 31, 2015
10:16 am
SUPPLEMENTAL #1



SUPPLEMENTAL #1

SUPPLEMENTAL #1
August 31, 2015
10:16 am

	PatZip	Visits	%	Cumulative %		
Kirby	38115	2678	6.88%	6.88%	26.32%	Kirby Percentage
	38122	2573	6.61%	13.49%		
	38111	2370	6.09%	19.57%		
Kirby	38118	2325	5.97%	25.55%	23.38%	Canada Percentage
Canada	38134	2320	5.96%	31.50%		
Canada	38018	2301	5.91%	37.41%		
	38128	2023	5.20%	42.61%		
	38127	1940	4.98%	47.59%		
Canada	38016	1905	4.89%	52.48%		
	38108	1582	4.06%	56.55%		
Kirby	38117	1375	3.53%	60.08%		
Kirby	38125	1258	3.23%	63.31%		
Kirby	38141	1138	2.92%	66.23%		
	38114	1127	2.89%	69.13%		
	38112	1120	2.88%	72.00%		
	38109	1038	2.67%	74.67%		
	38120	947	2.43%	77.10%		
Canada	38002	944	2.42%	79.53%		
	38116	806	2.07%	81.60%		
Kirby	38119	805	2.07%	83.67%		
	38053	797	2.05%	85.71%		
	38106	755	1.94%	87.65%		
Canada	38135	752	1.93%	89.58%		
Canada	38133	690	1.77%	91.35%		
	38107	637	1.64%	92.99%		
	38017	535	1.37%	94.36%		
	38104	519	1.33%	95.70%		
Kirby	38138	485	1.25%	96.94%		
	38105	201	0.52%	97.46%		
Canada	38028	192	0.49%	97.95%		
Kirby	38139	185	0.48%	98.43%		

SUPPLEMENTAL #1
August 31, 2015
10:16 am

Please complete the following table for ED patient origin by zip code for CY 2014 for zip codes with patient origin over 0.15%.

ED Visits by Residents of Applicant's Proposed Service Area, 2014

Patient Zip Code	Patient Community	Population	Total Patients Treated	Cumulative Patients Treated	% by Zip Code	Cumulative %
38002	Arlington	44904	954	954	2.12%	2.12%
38016	Cordova	47001	1905	2859	4.05%	6.18%
38018	Cordova	37082	2323	5182	6.26%	12.44%
38028	Eads	6994	192	5374	2.75%	15.19%
38049	Mason	4714	141	5515	2.99%	18.18%
38060	Oakland	10015	247	5762	2.47%	20.64%
38068	Somerville	10631	285	6047	2.68%	23.33%
38076	Williston	802	14	6061	1.75%	25.07%
38133	Memphis	21512	690	6751	3.21%	28.28%
38134	Memphis	42166	2349	9100	5.57%	33.85%
38135	Memphis	31281	752	9852	2.40%	36.25%

*Source 2014 THA provisional data – does not include visits to all providers in Shelby County

SUPPLEMENTAL #1
August 31, 2015
10:16 am

11. Section C, Need, Items 4.A. and 4.B.

Your response to this item is noted. Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the table below and include data for each zip code in your proposed service area.

	38002	38016	38018	38028	38049	38060	38068	38076	38133	38134	38135	Shelby County
Current Year (CY), Age 65+	4,520	4,930	4,033	1,056	627	1,475	2,004	152	2,309	4,723	4,029	112,753
Projected Year (PY), Age 65+	5,111	5,514	4,537	1,168	677	1,599	2,087	158	2,562	5,076	4,404	120,783
Age 65+, % Change	11.6%	10.6%	11.1%	9.6%	7.4%	7.8%	4.0%	3.8%	9.9%	7.0%	8.5%	6.6%
Age 65+, % Total (PY)	10.96%	11.42%	11.93%	16.25%	14.35%	15.52%	19.70%	19.85%	11.76%	11.98%	13.88%	12.69%
CY, Total Population	44,904	47,001	37,082	6,994	4,714	10,015	10,631	802	21,512	42,166	31,281	927,644
PY, Total Population	46,652	48,289	38,019	7,186	4,717	10,305	10,596	796	21,780	42,383	31,735	951,669
Total Pop. % Change	3.7%	2.7%	2.5%	2.7%	0.1%	2.8%	-0.3%	-0.8%	1.2%	0.5%	1.4%	2.5%
TennCare Enrollees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	262,855
TennCare Enrollees as a % of Total Population	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	28.34%
Median Age	36.1	35.8	35.3	48	36.2	37	42.9	47.3	36	33.3	39	34.6
Median Household Income	$90,327	$66,845	$66,518	$91,209	$32,386	$60,656	$46,571	$50,083	$63,184	$47,529	$77,880	$46,250
Population % Below Poverty Level	4.70%	6.90%	8.50%	5.40%	22.9	7.50%	17.40%	10%	8.80%	11.10%	4.50%	20.80%

http://factfinder.census.gov/
Source: 2009-2013 American Community Survey 5-Year Estimates

Please indicate if there are any medically underserved areas in the 11 zip code service area.

Response:
As stated in response to question 11, there is a need for General/Family Practice physicians in zip codes 38134 and 38135.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

12. Section C, Need, Item 5.

Do the ED visits in the table on page 23 include visits by indigent and uninsured individuals?

Response:
The numbers were taken from the 2013 JARs which show the total number of patients treated in the ER. This number does include indigent and uninsured individuals.

Review of the 2013 JAR for the ED volumes of the hospitals shown in the table on page 23 revealed a combined total of 496,110 patients presented compared to 489,745 actual patients treated, a difference of 6,365 patients. Please clarify what factors account for the difference. In your response, please address where the 6,365 patients may have been directed, such as referrals to a physician or clinic for treatment for conditions not needing treatment in a hospital ED.

Response:
As stated above, the applicant used the numbers who were treated in the ER, not the number of patients who presented in the ER as they may have left without being seen or may seek an alternate service location after triage but before being seen by a healthcare professional.

Please provide metrics that identify how many of BMH and Regional One Health ED patients were admitted as inpatients and/or for observation during the most recent 12-month period for which information is available. Please discuss the pros and cons of these patients going to an ED at a hospital versus going to a satellite ED that would require a transfer by ambulance.

Response:

IP Visits	ER Visits	% ER to IP	Facility
16691	60274	27.69%	Baptist Memorial Hospital-Memphis
8526	55963	15.24%	Regional One Health

**Source THA 2013 data

Pros for Satellite ED	CONS for Satellite ED
The source of care is closer to the patient's home.	Patient would have to be relocated by ambulance after stabilization.
If patient requires transfer, they are already admitted as a	

SUPPLEMENTAL #1
August 31, 2015
10:16 am

BMH patient.	
As a BMH patient their EMR is initiated.	
Patient wait time is likely less than the busier main facility.	

HSDA staff is aware that hospital ED utilization by patient origin is available through the Tennessee Hospital Association (THA). Using THA's Market IQ Data, please identify ED patient origin for the applicant's proposed 11 zip code service area with a market share over 3% and show in the table below (or similar version).

38002

Facility	Dist. from Sat. ED	2011	%	2012	%	2013	%	2014	%	Grand Total
BMH for Women	5	3	0.04%	13	0.15%	9	0.10%	6	0.46%	31
BMH-Collierville	10.8	160	1.89%	159	1.78%	115	1.31%	130	10.01%	564
BMH-Memphis	4.8	1259	14.90%	1305	14.63%	1216	13.88%	954	73.44%	4734
BMH-Tipton	41.6	30	0.35%	22	0.25%	41	0.47%	26	2.00%	119
Delta Medical Center	6.6	32	0.38%	36	0.40%	36	0.41%		N/A	104
Le Bonheur Children's Hospital	17.1	500	5.92%	569	6.38%	555	6.33%		N/A	1624
Methodist Fayette Hospital	closed	180	2.13%	150	1.68%	134	1.53%		N/A	464
Methodist Germantown Hospital	4.3	1078	12.76%	1138	12.75%	1187	13.55%		N/A	3403
Methodist North Hospital	15.8	882	10.44%	927	10.39%	982	11.21%		N/A	2791
Methodist South Hospital	13.8	39	0.46%	40	0.45%	39	0.45%		N/A	118
Methodist University Hospital	16.7	191	2.26%	211	2.36%	210	2.40%		N/A	612
Regional One Health	17	199	2.35%	191	2.14%	202	2.31%	183	14.09%	775
Saint Francis Hospital	2.6	273	3.23%	276	3.09%	258	2.94%		N/A	807
Saint Francis Hospital-Bartlett	14.8	3625	42.89%	3885	43.54%	3778	43.12%		N/A	11288
Grand Total		**8451**		**8922**		**8762**		**1299**		**27434**

38016

Facility	Dist. from Sat. ED	2011	%	2012	%	2013	%	2014	%	Grand Total
BMH for Women	5	12	0.12%	22	0.19%	17	0.14%	11	0.44%	62
BMH-Collierville	10.8	240	2.33%	295	2.58%	244	2.04%	245	9.90%	1024
BMH-Memphis	4.8	2214	21.46%	2306	20.15%	2391	20.02%	1905	77.00%	8816
BMH-Tipton	41.6	4	0.04%	11	0.10%	13	0.11%	14	0.57%	42
Delta Medical Center	6.6	70	0.68%	85	0.74%	77	0.64%		N/A	232
Le Bonheur Children's Hospital	17.1	538	5.21%	618	5.40%	698	5.85%		N/A	1854
Methodist Fayette Hospital	closed	22	0.21%	22	0.19%	11	0.09%		N/A	55
Methodist Germantown Hospital	4.3	2317	22.46%	2714	23.71%	2868	24.02%		N/A	7899
Methodist North Hospital	15.8	355	3.44%	398	3.48%	375	3.14%		N/A	1128
Methodist South Hospital	13.8	86	0.83%	104	0.91%	89	0.75%		N/A	279
Methodist University Hospital	16.7	266	2.58%	281	2.45%	303	2.54%		N/A	850
Regional One Health	17	271	2.63%	267	2.33%	301	2.52%	299	12.09%	1138

SUPPLEMENTAL #1
August 31, 2015
10:16 am

Saint Francis Hospital	2.6	393	3.81%	435	3.80%	494	4.14%		N/A	1322
Saint Francis Hospital-Bartlett	14.8	3529	34.21%	3889	33.97%	4060	34.00%		N/A	11478
Grand Total		**10317**		**11447**		**11941**		**2474**		**36179**

38018

Facility	Dist. from Sat. ED	2011	%	2012	%	2013	%	2014	%	Grand Total
BMH for Women	5	13	0.16%	25	0.29%	16	0.18%	13	0.47%	67
BMH-Collierville	10.8	216	2.63%	277	3.17%	196	2.16%	211	7.63%	900
BMH-Memphis	4.8	2501	30.43%	2574	29.42%	2697	29.71%	2323	83.95%	10095
BMH-Tipton	41.6	10	0.12%	3	0.03%	8	0.09%	6	0.22%	27
Delta Medical Center	6.6	85	1.03%	88	1.01%	83	0.91%		N/A	256
Le Bonheur Children's Hospital	17.1	396	4.82%	471	5.38%	491	5.41%		N/A	1358
Methodist Fayette Hospital	closed	15	0.18%	14	0.16%	9	0.10%		N/A	38
Methodist Germantown Hospital	4.3	2505	30.47%	2694	30.79%	2919	32.16%		N/A	8118
Methodist North Hospital	15.8	264	3.21%	304	3.47%	229	2.52%		N/A	797
Methodist South Hospital	13.8	62	0.75%	69	0.79%	67	0.74%		N/A	198
Methodist University Hospital	16.7	246	2.99%	234	2.67%	262	2.89%		N/A	742
Regional One Health	17	218	2.65%	258	2.95%	252	2.78%	214	7.73%	942
Saint Francis Hospital	2.6	460	5.60%	396	4.53%	467	5.14%		N/A	1323
Saint Francis Hospital-Bartlett	14.8	1229	14.95%	1343	15.35%	1381	15.21%		N/A	3953
Grand Total		**8220**		**8750**		**9077**		**2767**		**28814**

38028

Facility	Dist. from Sat. ED	2011	%	2012	%	2013	%	2014	%	Grand Total
BMH for Women	5	1	0.07%	2	0.13%	3	0.18%	1	0.28%	7
BMH-Collierville	10.8	163	10.98%	136	8.74%	137	8.39%	139	39.27%	575
BMH-Memphis	4.8	288	19.39%	293	18.83%	315	19.29%	192	54.24%	1088
BMH-Tipton	41.6	4	0.27%	1	0.06%	2	0.12%		N/A	7
Baptist Rehabilitation-Germantown			0.00%		0.00%	1	0.06%		N/A	1
Delta Medical Center	6.6	5	0.34%	3	0.19%	2	0.12%		N/A	10
Le Bonheur Children's Hospital	17.1	52	3.50%	50	3.21%	74	4.53%		N/A	176
Methodist Fayette Hospital	closed	147	9.90%	143	9.19%	139	8.51%		N/A	429
Methodist Germantown Hospital	4.3	260	17.51%	288	18.51%	325	19.90%		N/A	873
Methodist North Hospital	15.8	81	5.45%	69	4.43%	91	5.57%		N/A	241
Methodist South Hospital	13.8	9	0.61%	5	0.32%	5	0.31%		N/A	19
Methodist University Hospital	16.7	33	2.22%	41	2.63%	34	2.08%		N/A	108
Regional One Health	17	23	1.55%	37	2.38%	30	1.84%	22	6.21%	112
Saint Francis Hospital	2.6	40	2.69%	40	2.57%	43	2.63%		N/A	123
Saint Francis Hospital-Bartlett	14.8	379	25.52%	448	28.79%	432	26.45%		N/A	1259
Grand Total		**1485**		**1556**		**1633**		**354**		**5028**

38049

Facility	Dist. from Sat. ED	2011	%	2012	%	2013	%	2014	%	Grand Total

SUPPLEMENTAL #1
August 31, 2015
10:16 am

BMH for Women	5	1	0.04%		0.00%	3	0.12%		0.00%	4
BMH-Collierville	10.8	9	0.40%	9	0.38%	9	0.37%	4	0.37%	31
BMH-Memphis	4.8	221	9.93%	189	7.95%	216	8.98%	141	12.94%	767
BMH-Tipton	41.6	1012	45.46%	1096	46.11%	925	38.45%	896	82.20%	3929
Delta Medical Center	6.6	3	0.13%	4	0.17%	1	0.04%		N/A	8
Le Bonheur Children's Hospital	17.1	52	2.34%	75	3.16%	86	3.57%		N/A	213
Methodist Fayette Hospital	closed	190	8.54%	212	8.92%	259	10.76%		N/A	661
Methodist Germantown Hospital	4.3	65	2.92%	74	3.11%	85	3.53%		N/A	224
Methodist North Hospital	15.8	217	9.75%	241	10.14%	242	10.06%		N/A	700
Methodist South Hospital	13.8	4	0.18%	2	0.08%	7	0.29%		N/A	13
Methodist University Hospital	16.7	20	0.90%	39	1.64%	47	1.95%		N/A	106
Regional One Health	17	32	1.44%	52	2.19%	43	1.79%	49	4.50%	176
Saint Francis Hospital	2.6	29	1.30%	25	1.05%	47	1.95%		N/A	101
Saint Francis Hospital-Bartlett	14.8	371	16.67%	359	15.10%	436	18.12%		N/A	1166
Grand Total		**2226**		**2377**		**2406**		**1090**		**8099**

38060

Facility	Dist. from Sat. ED	2011	%	2012	%	2013	%	2014	%	Grand Total
BMH for Women	5	2	0.07%	2	0.06%	3	0.10%	5	1.13%	12
BMH-Collierville	10.8	138	4.80%	161	5.12%	129	4.10%	130	29.28%	558
BMH-Memphis	4.8	367	12.76%	354	11.26%	406	12.89%	247	55.63%	1374
BMH-Tipton	41.6	2	0.07%	2	0.06%	9	0.29%	13	2.93%	26
Delta Medical Center	6.6	9	0.31%	9	0.29%	11	0.35%		N/A	29
Le Bonheur Children's Hospital	17.1	115	4.00%	124	3.94%	121	3.84%		N/A	360
Methodist Fayette Hospital	closed	995	34.60%	1043	33.16%	977	31.03%		N/A	3015
Methodist Germantown Hospital	4.3	278	9.67%	340	10.81%	372	11.81%		N/A	990
Methodist North Hospital	15.8	129	4.49%	133	4.23%	140	4.45%		N/A	402
Methodist South Hospital	13.8	7	0.24%	10	0.32%	6	0.19%		N/A	23
Methodist University Hospital	16.7	53	1.84%	68	2.16%	45	1.43%		N/A	166
Regional One Health	17	48	1.67%	60	1.91%	36	1.14%	49	11.04%	193
Saint Francis Hospital	2.6	71	2.47%	55	1.75%	70	2.22%		N/A	196
Saint Francis Hospital-Bartlett	14.8	662	23.02%	784	24.93%	824	26.17%		N/A	2270
Grand Total		**2876**		**3145**		**3149**		**444**		**9614**

38068

Facility	Dist. from Sat. ED	2011	%	2012	%	2013	%	2014	%	Grand Total
BMH for Women	5	1	0.02%		0.00%	3	0.04%	2	0.35%	6
BMH-Collierville	10.8	208	3.34%	184	2.85%	140	2.09%	138	23.96%	670
BMH-Memphis	4.8	478	7.68%	453	7.03%	510	7.63%	285	49.48%	1726
BMH-Tipton	41.6	44	0.71%	39	0.61%	47	0.70%	58	10.07%	188
Delta Medical Center	6.6	19	0.31%	27	0.42%	16	0.24%		N/A	62
Le Bonheur Children's Hospital	17.1	168	2.70%	148	2.30%	157	2.35%		N/A	473
Methodist Fayette Hospital	closed	3816	61.30%	3956	61.37%	4033	60.30%		N/A	11805
Methodist Germantown Hospital	4.3	298	4.79%	327	5.07%	343	5.13%		N/A	968
Methodist North Hospital	15.8	237	3.81%	216	3.35%	245	3.66%		N/A	698

SUPPLEMENTAL #1
August 31, 2015
10:16 am

Methodist South Hospital	13.8	17	0.27%	35	0.54%	41	0.61%		N/A	93
Methodist University Hospital	16.7	87	1.40%	122	1.89%	108	1.61%		N/A	317
Regional One Health	17	89	1.43%	86	1.33%	101	1.51%	93	16.15%	369
Saint Francis Hospital	2.6	106	1.70%	70	1.09%	90	1.35%		N/A	266
Saint Francis Hospital-Bartlett	14.8	657	10.55%	783	12.15%	854	12.77%		N/A	2294
Grand Total		**6225**		**6446**		**6688**		**576**		**19935**

38076

Facility	Dist. from Sat. ED	2011	%	2012	%	2013	%	2014	%	Grand Total
BMH for Women	5		0.00%		0.00%	1	0.30%		0.00%	1
BMH-Collierville	10.8	57	16.43%	69	18.25%	51	15.18%	46	69.70%	223
BMH-Memphis	4.8	32	9.22%	25	6.61%	40	11.90%	14	21.21%	111
BMH-Tipton	41.6		0.00%	1	0.26%		0.00%	2	3.03%	3
Delta Medical Center	6.6	1	0.29%	3	0.79%	1	0.30%		N/A	5
Le Bonheur Children's Hospital	17.1	7	2.02%	9	2.38%	8	2.38%		N/A	24
Methodist Fayette Hospital	closed	168	48.41%	174	46.03%	147	43.75%		N/A	489
Methodist Germantown Hospital	4.3	47	13.54%	36	9.52%	53	15.77%		N/A	136
Methodist North Hospital	15.8	7	2.02%	20	5.29%	6	1.79%		N/A	33
Methodist South Hospital	13.8	1	0.29%		0.00%	1	0.30%		N/A	2
Methodist University Hospital	16.7	4	1.15%	8	2.12%	2	0.60%		N/A	14
Regional One Health	17	3	0.86%	10	2.65%	2	0.60%	4	6.06%	19
Saint Francis Hospital	2.6	7	2.02%	10	2.65%	5	1.49%		N/A	22
Saint Francis Hospital-Bartlett	14.8	13	3.75%	13	3.44%	19	5.65%		N/A	45
Grand Total		**347**		**378**		**336**		**66**		**1127**

38133

Facility	Dist. from Sat. ED	2011	%	2012	%	2013	%	2014	%	Grand Total
BMH for Women	5	4	0.06%	6	0.09%	14	0.20%	5	0.52%	29
BMH-Collierville	10.8	50	0.79%	46	0.67%	43	0.63%	33	3.43%	172
BMH-Memphis	4.8	848	13.42%	1007	14.72%	918	13.35%	690	71.73%	3463
BMH-Tipton	41.6	9	0.14%	10	0.15%	9	0.13%	6	0.62%	34
Delta Medical Center	6.6	29	0.46%	65	0.95%	41	0.60%		N/A	135
Le Bonheur Children's Hospital	17.1	316	5.00%	354	5.18%	405	5.89%		N/A	1075
Methodist Fayette Hospital	closed	8	0.13%	4	0.06%	6	0.09%		N/A	18
Methodist Germantown Hospital	4.3	613	9.70%	630	9.21%	633	9.20%		N/A	1876
Methodist North Hospital	15.8	481	7.61%	497	7.27%	509	7.40%		N/A	1487
Methodist South Hospital	13.8	36	0.57%	28	0.41%	32	0.47%		N/A	96
Methodist University Hospital	16.7	141	2.23%	147	2.15%	190	2.76%		N/A	478
Regional One Health	17	275	4.35%	383	5.60%	300	4.36%	228	23.70%	1186
Saint Francis Hospital	2.6	204	3.23%	190	2.78%	221	3.21%		N/A	615
Saint Francis Hospital-Bartlett	14.8	3304	52.30%	3473	50.77%	3556	51.71%		N/A	10333
Grand Total		**6318**		**6840**		**6877**		**962**		**20997**

38134

Facility	Dist. from	2011	%	2012	%	2013	%	2014	%	Grand Total

SUPPLEMENTAL #1
August 31, 2015
10:16 am

	Sat. ED									
BMH for Women	5	12	0.08%	20	0.12%	32	0.19%	17	0.43%	81
BMH-Collierville	10.8	96	0.62%	102	0.61%	114	0.66%	87	2.22%	399
BMH-Memphis	4.8	2507	16.28%	2722	16.22%	2870	16.69%	2349	59.98%	10448
BMH-Tipton	41.6	21	0.14%	24	0.14%	20	0.12%	18	0.46%	83
Delta Medical Center	6.6	156	1.01%	229	1.36%	232	1.35%		N/A	617
Le Bonheur Children's Hospital	17.1	1009	6.55%	1008	6.01%	1116	6.49%		N/A	3133
Methodist Fayette Hospital	closed	15	0.10%	16	0.10%	7	0.04%		N/A	38
Methodist Germantown Hospital	4.3	1098	7.13%	1205	7.18%	1143	6.65%		N/A	3446
Methodist North Hospital	15.8	3625	23.54%	4050	24.13%	4087	23.77%		N/A	11762
Methodist South Hospital	13.8	142	0.92%	120	0.72%	124	0.72%		N/A	386
Methodist University Hospital	16.7	482	3.13%	522	3.11%	464	2.70%		N/A	1468
Regional One Health	17	1343	8.72%	1520	9.06%	1541	8.96%	1445	36.90%	5849
Saint Francis Hospital	2.6	647	4.20%	606	3.61%	650	3.78%		N/A	1903
Saint Francis Hospital-Bartlett	14.8	4245	27.57%	4639	27.64%	4792	27.87%		N/A	13676
Grand Total		**15398**		**16783**		**17192**		**3916**		**53289**

38135

Facility	Dist. from Sat. ED	2011	%	2012	%	2013	%	2014	%	Grand Total
BMH for Women	5	3	0.04%	9	0.10%	8	0.09%	14	1.33%	34
BMH-Collierville	10.8	51	0.62%	73	0.81%	61	0.68%	39	3.71%	224
BMH-Memphis	4.8	954	11.59%	1003	11.18%	1056	11.69%	752	71.55%	3765
BMH-Tipton	41.6	18	0.22%	5	0.06%	13	0.14%	10	0.95%	46
Baptist Rehabilitation-Germantown	XX	1	0.01%		0.00%		0.00%		N/A	1
Delta Medical Center	6.6	63	0.77%	68	0.76%	62	0.69%		N/A	193
Le Bonheur Children's Hospital	17.1	476	5.78%	608	6.78%	610	6.75%		N/A	1694
Methodist Fayette Hospital	closed	5	0.06%	13	0.14%	5	0.06%		N/A	23
Methodist Germantown Hospital	4.3	602	7.31%	638	7.11%	607	6.72%		N/A	1847
Methodist North Hospital	15.8	2490	30.25%	2707	30.19%	2669	29.55%		N/A	7866
Methodist South Hospital	13.8	64	0.78%	66	0.74%	39	0.43%		N/A	169
Methodist University Hospital	16.7	231	2.81%	229	2.55%	229	2.54%		N/A	689
Regional One Health	17	237	2.88%	225	2.51%	240	2.66%	236	22.45%	938
Saint Francis Hospital	2.6	218	2.65%	220	2.45%	250	2.77%		N/A	688
Saint Francis Hospital-Bartlett	14.8	2819	34.24%	3104	34.61%	3183	35.24%		N/A	9106
Grand Total		**8232**		**8968**		**9032**		**1051**		**27283**

SUPPLEMENTAL #1
August 31, 2015
10:16 am

13. Section C, Need, Item 6.

Do BMH and/or Regional One Health Given operate urgent care centers in the greater Memphis area? If so, what is the estimated impact of the proposed satellite ED to these and other urgent care centers? Was that impact considered in developing the utilization projections for the project? Please discuss. In your response, please identify existing urgent care centers in the applicant's service area by completing the table below.

Response:

BMHCC includes 3 minor medical centers in Shelby County. Emergency Department Service is not anticipated to substantially impact these centers as they are designed to accommodate a generally lower level of care.

Although Regional One does not operate urgent care centers, Regional One's Emergency Services work in conjunction with its' Outpatient Clinics to provide post ED follow-up care and engage these patients in helping them assess alternative venues or altogether improve their health status to prevent the need or for future or subsequent ED care. Regional One Health's Outpatient Clinics provides accessible, quality health services in a convenient location and regardless of insurability status. Healthcare professionals - including physicians, registered nurses, pharmacists and technicians - work together to provide compassionate care and exceptional outpatient medical services. Services include general x-ray and laboratory services, medical imaging, ultrasound, cardiac diagnostic testing, outpatient pharmacy and a wide range of specialty and subspecialty clinics. Many of the medical services are provided through a collaborative working relationship with the University of Tennessee Residency Program and the UT Medical Group faculty physicians.

Urgent Care Centers in Applicant's Proposed Service Area

Urgent Care Center Name	Address	Dist. from Proposed ED	Operating Hours	Medicare, TennCare, & Major Ins accepted?
Baptist Minor Medical Center-Bartlett	7424 U. S. Hwy #64 Suite 111 Bartlett, TN 38133	14.4	7 Days a week 8 a.m. - 7:30 p.m.	Medicare - yes TennCare - Yes Major Ins - yes
Baptist Minor Medical Center-Cordova	670 N. Germantown Pkwy Suite 18 Cordova, TN 38018	11.4	7 Days a week 8 a.m. - 7:30 p.m.	Medicare - yes TennCare - Yes Major Ins - yes
Baptist Minor Medical Center-Memphis	3295 Poplar Avenue #105 Memphis, TN 38111	8.7	7 Days a week 8 a.m. - 7:30 p.m.	Medicare - yes TennCare - Yes Major Ins - yes
Methodist Minor Medical Center - Cordova	8095 Club Pkwy. Cordova, TN 38107	12.6	Mon-Fri, 8am-7pm; Sat-Sun, 8am-6pm	Medicare - yes TennCare - yes Major Ins - yes

Methodist Minor Medical Center - Hacks Cross	8071 Winchester Rd. Memphis, TN 38125	4.1	Mon-Fri, 8am-7pm; Sat-Sun, 8am-6pm	Medicare – yes TennCare – yes Major Ins – yes
Methodist Minor Medical Center - Midtown	1803 Union Avenue #2 Memphis, TN 38104	12.4	7 days a week, 9am-9pm	Medicare – yes TennCare – yes Major Ins - yes
Urgent Care (Le Bonheur) - Cordova	8045 Club Pkwy Cordova, TN 38016	12.7	Mon-Fri, 3-11pm; Sat-Sun, noon-9pm	Medicare – yes TennCare – yes Major Ins – yes
Urgent Care (Le Bonheur) - Memphis	8071 Winchester Rd. Memphis, TN 38125	4.1	Mon-Fri, 3-11pm; Sat-Sun, noon-9pm	Medicare – yes TennCare – yes Major Ins – yes
MedPost Urgent Care	853 W. Poplar Ave. Collierville, TN 38017	11.4	M-F: 8:00 AM-8:00 PM Sa-Su: 9:00 AM-5:00 PM	Medicare – yes TennCare – yes only Amerigroup Major Ins – yes
MedPost Urgent Care	1520 Bonnie Lane Cordova, TN 38016	9.2	M-F: 8:00 AM-8:00 PM Sa-Su: 9:00 AM-5:00 PM	Medicare – yes TennCare – yes only Amerigroup Major Ins – yes
MedPost Urgent Care	1941 S. Germantown Road Suite 103 Germantown, TN 38138	4	M-F: 8:00 AM-8:00 PM Sa-Su: 9:00 AM-5:00 PM	Medicare – yes TennCare – yes only Amerigroup Major Ins – yes

Please complete the following table for the historical and projected ED volumes of BMH from 2013-2017 by level of care consistent with CPT codes 99281 (lowest acuity), 99282, 99283, 99284 and 99285 (highest acuity patient).

BMH Historical and Projected Utilization by Level of Care

Level of Care	Main ED	Main ED	Main ED		Main ED	Satellite ED Kirby	Satellite ED Lakeland	Combined Year 1 Main and Both Satellites
	2013	2014	2015		Year 1	Year 1	Year 1	Year 1
Level I	1,197	2,663	2,089		1,863	210	189	2,262
Level II	6,649	7,449	7,708		6,876	650	596	8,122
Level III	16,998	19,822	20,120		17,946	1,844	1,584	21,374
Level IV	16,277	17,994	18,743		16,718	1,694	1,492	19,904
Level V	15,519	12,388	15,340		13,683	930	915	15,528
Total	56,640	60,316	64,000		57,086	5,328	4,776	67,190

SUPPLEMENTAL #1
August 31, 2015
10:16 am

Please complete the following chart for projected ED utilization by zip code in in Year 1 of the proposed Satellite ED project for zip codes with patient origin over 0.15%.

Projected Utilization by Zip Codes in Applicant's Proposed Service Area, Year 1

Patient Zip Code	Name	Population	Main ED Visits Year 1	Proposed Satellite ED Visits Year 1	Total ED Visits	% by Zip Code	Cumulative %
38002	Arlington	46,652	225	849	1,074	10.21%	10.21%
38016	Cordova	48,289	1,165	879	2,044	19.43%	29.65%
38018	Cordova	38,019	1,757	692	2,449	23.29%	52.94%
38028	Eads	7,186	80	131	211	2.00%	54.94%
38049	Mason	4,717	64	86	150	1.42%	56.37%
38060	Oakland	10,305	86	188	273	2.60%	58.97%
38068	Somerville	10,596	110	193	303	2.88%	61.85%
38076	Williston	796	1	14	15	0.15%	62.00%
38133	Memphis	21,780	342	396	739	7.03%	69.02%
38134	Memphis	42,383	1,667	771	2,438	23.18%	92.21%
38135	Memphis	31,735	242	577	819	7.79%	100.00%
TOTAL		262,458	5,739	4,776	10,515	100%	

SUPPLEMENTAL #1
August 31, 2015
10:16 am

14. Section C. Economic Feasibility Item 1 (Project Cost Chart) and Item 3

The Project Costs Chart of the proposed satellite ED project is noted. Please address the following:

- Acquisition of Site by BMH (Line A.3) - There is no amount in the Project Costs Chart for the acquisition of the site by BMH. Based on the 8/5/15 Assignment Agreement between BMH & M. Anderson Cobb, Jr. and the 8/14/15 Option to Lease Agreement between BMH & Duke Realty, it appears that BMH will purchase the 12.88 acre site for approximately $900,000. Please explain.
- Equipment - it appears the equipment in the $3,076,337 amount shown in Line B for items not included in the agreement with the developer will be leased by BMH. If not correct, please include the amount in Line A.7 and/or Line A.8 of the chart.
- Please provide the amounts for each equipment item over $50,000 noted on page 25 of the application.

If the total project cost is found to be in error for the purchase of the 12.88 acre site by BMH, please revise the chart and submit a replacement page labeled as page 26-R. Please also submit a check for the additional amount required for the revised filing fee, as necessary.

Response:

Facility Cost

The fair market value of the project was determined through consultation with an architect as documented in the letter from A2H. The project cost comparison of the fair market value of completing the project without a developer to the lease arrangement including a developer is shown on the following page. The fair market amount of $13,016,877 is less that the cost involving a lease arrangement with a developer at a cost of $18,718,029. The lease arrangement was used to calculate the cost of the project.

Land Cost

The value of the land acquisition used for the project parcel is included in line B.1.

Equipment

It is correct that the equipment will be leased by Baptist through the developer with the involvement of the LLC.

Equipment Amounts

The amounts for the equipment are shown in the following list:

Equipment over $50,000

Name	Est. Cost
Omnicell	$71,192
Bed Alarm System	$99,456
X-Ray	$250,000
Ultrasound	$50,000
Computerized Romography	$500,000
Security Surveillance	$124,320

SUPPLEMENTAL #1
August 31, 2015
10:16 am

PROJECT COSTS CHART -LAKELAND Hwy 64

		Lease Developer	Market Value Construction
A.	Construction and equipment acquired by purchase:		
	1. Architectural and Engineering Fees	$ -	$ 614,586
	2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	$ 25,000	$ 25,000
	3. Acquisition of Site	$ -	$ 972,255
	4. Preparation of Site	$ -	$ 997,930
	5. Construction Costs	$ -	$ 6,731,370
	6. Contingency Fund	$ -	
	7. Fixed Equipment (not in included in Construction Contract)	$ -	$ 3,076,337
	8. Moveable Equipment (List all equipment over $50,000)	$ -	$ -
	9. Other (Specify) _____IT_____		$ 570,177
B.	Acquisition by gift, donation, or lease:		
	1. Facility (inclusive of building and land)	$ 15,004,494	$ -
	2. Building only	$ -	$ -
	3. Land only	$ -	$ -
	4. Equipment (Specify) not included in construction contract)	$ 3,076,337	$ -
	5. Other (Specify) _____I/T_____	$ 570,177	$ -
C.	Financing Costs and Fees:		
	1. Interim Financing	$ -	$ -
	2. Underwriting Costs	$ -	$ -
	3. Reserve for One Year's Debt Service	$ -	$ -
	4. Other (Specify) _____	$ -	$ -
D.	Estimated Project Cost (A + B + C)	$ 18,676,008	$ 12,987,655
E.	CON Filing Fee	$ 42,021	$ 29,222
F.	Total Estimated Project Cost (D + E)		
	TOTAL	$ 18,718,029	$ 13,016,877

SUPPLEMENTAL #1
August 31, 2015
10:16 am

15. Section C, Need, Economic Feasibility, Item 2

The funding from cash reserves with documentation in the form of letters from the CFOs of BMH and Regional One Health (ROH) is noted. Since the project is described as a collaborative arrangement between the parties to develop, operationalize and market the facility, what responsibilities will the Highway 64 and Canada Road JOA No.2, LLC have to provide funding support for the project?

If possible, please include a copy of the most recent Balance Sheet for ROH to confirm its ability to support the project in the amount identified in the 8/14/15 CFO letter.

Response:
Kirby Road and Quince Road JOA No.2, LLC will handle funds that are contributed by the parties for operations of the project. The most recent financial information from Shelby County Health Care Corporation is provided on the following pages.

16. Section C, Economic Feasibility, Item 4 (Historical Data Chart and Projected Data Chart)

Please also provide a Historical Data Chart for BMH-Memphis showing revenues and expenses for all patient care services provided by the hospital during the fiscal year periods.

Response:
Charts are provided on the following pages.

Please provide a combined Projected Data Chart for both the main BMH emergency department and the proposed satellite ED.

Response:
Charts are provided on the following pages. On the BMH ED projected data chart includes inpatient and outpatient emergency services that are provided in the emergency department. Charges for ancillary services are not reflected.

The project costs charges for the satellite locations reflect all services provided at that location including ancillary services such as x-ray, CT, and lab.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

HISTORICAL DATA CHART BMH Memphis

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in OCT (Month)

	Year 2012	Year 2013	Year 2014
A. Utilization Data (Discharges)	25,440	24,509	24,737
B. Revenue from Services to Patients			
1. Inpatient Services	$ 1,168,575,509	$ 1,281,308,906	$ 1,294,127,663
2. Outpatient Services	$ 561,989,211	$ 618,546,518	$ 654,272,669
3. Emergency Serivces	$ 50,145,402	$ 60,656,034	$ 62,003,106
4. Other Operating Revenue (specify) cafeteria, gift shop, etc.	$ 16,024,049	$ 16,994,124	$ 16,698,984
Gross Operating Revenue	$ 1,796,734,170	$ 1,977,505,582	$ 2,027,102,422
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	$ 1,172,840,209	$ 1,355,368,474	$ 1,424,742,936
2. Provision for Charity Care	$ 42,466,417	$ 54,521,298	$ 54,578,785
3. Provision for Bad Debt	$ 57,084,980	$ 63,313,739	$ 73,607,837
Total Deductions	$ 1,272,391,605	$ 1,473,203,512	$ 1,552,929,558
NET OPERATING REVENUE	$ 524,342,565	$ 504,302,070	$ 474,172,864
D. Operating Expenses			
1. Salaries and Wages	$ 209,291,052	$ 201,394,665	$ 196,930,371
2. Physician's Salaries and Wages			
3. Supplies	$ 135,564,667	$ 136,328,976	$ 131,176,151
4. Taxes	$ 1,369,438	$ 1,355,226	$ 1,817,757
5. Depreciation	$ 24,031,334	$ 23,237,042	$ 23,276,262
6. Rent	$ 956,752	$ 1,059,939	$ 1,073,096
7. Interest, other than Capital	$ 539	$ 490	$ 490
8. Management Fees:			
a. Fees to Affilitates	$ 52,278,908	$ 59,039,856	$ 77,132,582
b. Fees to Non-Affilitates			
9. Other Expenses (Specify on separate page)	$ 83,426,115	$ 72,962,996	$ 83,535,327
Total Operating Expenses	$ 506,918,804	$ 495,379,188	$ 514,942,035
E. Other Revenue (Expenses) - Net (Specify)	$ 7,395,042	$ 9,193,074	$ 7,121,399
NET OPERATING INCOME (LOSS)	$ 24,818,802	$ 18,115,956	$ (33,647,773)
F. Capital Expenditures			
1. Retirement of Principal	$ 15,235,000	$ 16,100,000	$ 17,170,000
2. Interest	$ 848,550	$ 763,707	$ 650,464
Total Capital Expenditures	$ 16,083,550	$ 16,863,707	$ 17,820,464
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ 8,735,252	$ 1,252,249	$ (51,468,237)

SUPPLEMENTAL #1
August 31, 2015
10:16 am

HISTORICAL DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 2012	Year 2013	Year 2014
Purchased Services	$ 14,696,553	$ 12,203,028	$ 11,104,823
Insurance Expense	$ 3,611,030	$ (1,831,936)	$ 255,733
Utilities	$ 5,955,675	$ 5,792,233	$ 5,726,739
Repairs and Maintenance	$ 9,128,336	$ 10,536,853	$ 10,332,941
Professional Fees:	$ 23,624,629	$ 24,106,987	$ 26,355,046
Medicaid Assessment	$ 22,240,519	$ 15,178,966	$ 12,473,573
Misc	$ 4,169,373	$ 6,976,863	$ 7,011,151
Loss on Asset Impairment			$ 10,275,321
Total Other Expenses	**$ 83,426,115**	**$ 72,962,996**	**$ 83,535,327**

SUPPLEMENTAL #1
August 31, 2015
10:16 am

PROJECTED DATA CHART MEM ED

Give information for the last two (2) years following the completion of this proposal.
The fiscal year begins in Oct (Month)

	Year 1	Year 2
A. Utilization Data (visits)	57,086	58,034
B. Revenue from Services to Patients		
1. Inpatient Services	$ 45,196,928	$ 47,931,342
2. Outpatient Services		
3. Emergency Services	$ 64,909,360	$ 69,517,925
4. Other Operating Revenue (specify) cafeteria	$ 7,200	$ 7,500
Gross Operating Revenue	$ 110,113,488	$ 117,456,767
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	$ 95,011,271	$ 101,780,022
2. Provision for Charity Care		
3. Provision for Bad Debt		
Total Deductions	$ 95,011,271	$ 101,780,022
NET OPERATING REVENUE	$ 15,102,217	$ 15,676,745
D. Operating Expenses		
1. Salaries and Wages	$ 7,551,773	$ 7,830,758
2. Physician's Salaries and Wages		
3. Supplies	$ 1,312,848	$ 1,331,380
4. Taxes		
5. Depreciation		
6. Rent		
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affilitates	$ 279,220	$ 280,000
b. Fees to Non-Affilitates		
9. Other Expenses (Specify on separate page)	$ 50,877	$ 53,000
Total Operating Expenses	$ 9,194,718	$ 9,495,138
E. Other Revenue (Expenses) - Net (Specify)		
NET OPERATING INCOME (LOSS)	$ 5,907,499	$ 6,181,607
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	$ -	$ -
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ 5,907,499	$ 6,181,607

SUPPLEMENTAL #1
August 31, 2015
10:16 am

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 1	Year 2
Utilities	980	1,000
Repairs and Maintenance	25,060	27,000
Operating Expenses	24,837	25,000
Total Other Expenses	50,877	53,000

SUPPLEMENTAL #1
August 31, 2015
10:16 am

PROJECTED DATA CHART MEM ED + BOTH SATELLITE EDs COMBINED

Give information for the last two (2) years following the completion of this proposal.
The fiscal year begins in Oct (Month)

	Year 1	Year 2
A. Utilization Data (visits)	67,190	72,639
B. Revenue from Services to Patients		
1. Inpatient Services	$ 45,196,928	$ 47,931,342
2. Outpatient Services	$ -	$ -
3. Emergency Services	$ 104,526,204	$ 127,609,205
4. Other Operating Revenue (specify) cafeteria	$ 7,200	$ 7,500
Gross Operating Revenue	$ 149,730,332	$ 175,548,047
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	$ 117,947,200	$ 137,777,269
2. Provision for Charity Care	$ 285,537	$ 127,786
3. Provision for Bad Debt	$ 7,475,818	$ 9,821,410
Total Deductions	$ 125,708,555	$ 147,726,465
NET OPERATING REVENUE	$ 24,021,777	$ 27,821,582
D. Operating Expenses		
1. Salaries and Wages	$ 12,224,563	$ 13,270,834
2. Physician's Salaries and Wages		
3. Supplies	$ 2,650,782	$ 3,153,105
4. Taxes		
5. Depreciation	$ 559,725	$ 559,725
6. Rent	$ 1,877,458	$ 1,912,458
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affilitates	$ 725,198	$ 887,242
b. Fees to Non-Affilitates	$ 146,999	$ 189,688
9. Other Expenses (Specify on separate page)	$ 870,965	$ 893,405
Total Operating Expenses	$ 19,055,690	$ 20,866,457
E. Other Revenue (Expenses) - Net (Specify)		
NET OPERATING INCOME (LOSS)	$ 4,966,087	$ 6,955,125
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures		
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ 4,966,087	$ 6,955,125

SUPPLEMENTAL #1
August 31, 2015
10:16 am

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 1	Year 2
Utilities	384,126	395,277
Repairs and Maintenance	417,405	427,192
Operating Expenses	69,434	70,936
Total Other Expenses	870,965	893,405

SUPPLEMENTAL #1
August 31, 2015
10:16 am

17. Section C, Economic Feasibility, Item 5 and 6

The average gross charge, average deduction from gross operating revenue and average net charge of the proposed satellite ED is noted. Please also provide a table that shows the combined average gross charge, deduction and net charge charges for the main ED and the proposed satellite ED.

Response:

	MEMPHIS ED		COMBINED	
	yr 1	yr 2	yr 1	yr 2
Gross Charge	$ 1,928.91	$ 2,023.93	$ 2,228.46	$ 2,416.72
Average Deduction	$ 1,664.35	$ 1,753.80	$ 1,870.94	$ 2,033.71
Average Net Charge	$ 264.55	$ 270.13	$ 357.52	$ 383.01

18. A. Section C, Economic Feasibility, Item 9

The payor mix table for Year 1 of the project is noted. However, the total gross revenue amount in the chart is different than the amount shown in the Projected Data Chart. Please clarify.

In your response, please complete the payor mix table below.

Applicant's Historical and Projected Payor Mix

Payor Source	BMH Main ED Gross Operating Revenue 2014	As a % of Gross Operating Revenue 2014	BMH Main ED Gross Operating Revenue Year 1	Kirby Satellite ED Gross Operating Revenue Year 1	Canada Satellite ED Gross Operating Revenue Year 1	Total gross Operating Revenue Year 1	as a % of Gross Operating Revenue
Medicare	$28,536,936.84	33%	$ 36,007,110.58	$ 6,102,521.25	$ 2,835,801.00	$44,945,432.83	30.02%
TennCare	$17,104,708.32	20%	$ 21,582,243.65	$ 7,286,110.44	$ 4,316,572.24	$33,184,926.33	22.16%
Managed Care	Incl in commercial		Incl in commercial	Incl in Commercial	Incl in Commercial		
Commercial	$29,584,163.88	34%	$ 37,328,472.43	$ 4,683,598.54	$ 6,528,629.38	$48,540,700.35	32.42%
Self-Pay	$ 2,043,110.96	14%	$ 15,195,661.34	$ 4,750,507.09	$2,827,528.54	$22,773,696.97	15.21%
Other		0%		$ 249,176.67	$ 36,398.85	$ 285,575.52	0.19%
Total	$87,268,920.00	100%	$110,113,488.00	$23,071,914.00	$16,544,930.00	$149,730,332.00	100.00%

18. B. Section C, Economic Feasibility, Item 10

Review of the audited Consolidated Statements in the attachment for the Year ended June 2014 and June 2013 revealed differences in operating revenues, expenses and net operating income (NOI) from the entries in the Historical Data Chart for both 2014 and 2013. Please explain.

Please clarify the financial feasibility of the project when the audited statements reflect unfavorable NOI of $1,204,352 in 2014 and $3,991,923 available from cash and cash equivalents.

Response:
The Historical Data chart in the original application was for the BMH ER only. The Historical Information for BMH-Memphis follows this page. The project's feasibility is explained by the letter from Don Pounds in the initial CON application. BMH has funds available from Baptist Memorial Health Care Corporation.

The financial statements included in the application were for the period ending Sept 30.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

19. Section C, Economic Feasibility, Item 11

The responses to Items 11.a and 11.b are noted. Please include comment that identifies and compares the costs of both proposed BMH satellite ED projects to the costs of the expanding the existing emergency departments on the BMH and/or Regional One Health hospital campuses.

Response:
The site analysis for expanding the BMH facility in a new direction has not been completed. That possibility does not address the goal of moving services closer to patients in their communities. The most recent expansion of the Emergency Department pushed the footprint of the BMH-Memphis ED facility as close to an adjacent neighborhood as possible. Development in other directions has not been explored because of infrastructure changes and building access complications

20. A. Section C, Orderly Development, Item 1.

Please define the Emergency Medical Treatment and Labor Act (EMTALA).

Response:
EMTALA

In the case of a hospital that has an emergency department, if any individual (whether or not eligible for Medicare benefits and regardless of ability to pay) comes by him or herself or with another person to the emergency department and a request is made on the individual's behalf for examination or treatment of a medical condition by qualified medical personnel (as determined by the hospital in its rules and regulations), the hospital must provide for an appropriate medical screening examination within the capability of the hospital's emergency department, including ancillary services routinely available to the emergency departments, to determine whether or not an emergency medical condition exists. The examinations must be conducted by individuals determined qualified by hospital bylaws, rules and regulations and who meet the requirements of Sec. 482.59 concerning emergency services personnel and direction.

Please indicate where emergency OB patients will be referred for treatment from the proposed satellite facility. Also, please clarify if the OB patients would be admitted directly to the receiving facility, or would need to admit through the receiving hospital's ED.

Response:
Baptist Memorial Hospital for Women is located in east Memphis on North Humphreys Boulevard and Regional One Health is located in the downtown area of Memphis. Both Baptist Memorial Hospital for Women and Regional One Health could receive patients through the emergency department and move directly through to the Labor and Delivery department for further medical screening examination, stabilization and treatment by qualified medical personnel.

20. B. Section C, Orderly Development, Item 2.

Please explain the difference between an Urgent Care Clinic and a Satellite ED. Please include hours of operation, the patient costs (including copay) for each service, and any CPT code overlap. In your response, please complete the following chart indicating if the following conditions can be treated at an urgent care, hospital emergency room, or satellite ER.

Response:

Baptist Minor Medical Centers provide convenient alternatives to emergency rooms and delayed doctor appointments. Similar to walk-in centers or after-hour clinics, all Baptist Minor Meds are open seven days a week and no appointment is necessary. Baptist Minor Medical clinics feature X-ray capabilities, in-house labs, EKGs, and a qualified staff that can attend to your urgent health care needs. Typical treatments are for an injury, a fever, rash, or more.

An emergency department will triage a patient upon entry, and is open 24 hours a day 7 days a week with access to sophisticated complex equipment with capability beyond lower level urgent care issues.

The same CPT codes may be used for the urgent care clinic setting and the emergency department setting. Primary difference is the urgent care setting will bill globally because the physicians professional charges and the facility's technical component are provided. The emergency department will bill the technical component, physicians will bill separately. Some examples are provided below:

CPT	Description	ED Price	Minor Med/Urgent Care Price
		Technical	Global
10060	HC ED 10060-DRAINAGE OF SKIN ABSCESS	$158.00	332.00
10061	HC ED 10061-DRAINAGE OF SKIN ABSCESS	$158.00	326.00
10080	HC ED 10080-DRAINAGE OF PILONIDAL CYST	$158.00	210.00
10160	HC ED 10160-PUNCTURE DRAINAGE OF LESION	$197.00	342.00
11042	HC ED 11042-DEBRIDE SQ TISS 1ST 20 SQCM	$268.00	570.00
12001	HC ED 12001-REPAIR SPERFICIAL WOUND	$168.00	490.00
12002	HC ED 12002-REPAIR SUPERFICIAL WOUND	$168.00	515.00
12004	HC ED 12004-REPAIR SUPERFICIAL WOUND	$168.00	594.00
12005	HC ED 12005-REPAIR SUPERFICIAL WOUND	$168.00	746.00
12006	HC ED 12006-REPAIR SUPERFICIAL WOUND	$187.00	764.00

Conditions Treated by Urgent Care and Applicant

	Baptist Minor Med	Walk-in Clinic	Walgreens	Primary Care
Acute Care (cold and flu symptoms, fever, sinus infections, etc.)	X	X	X	X
Chronic Medical Conditions (Treatment and Diagnosis)			X	X
Child Immunizations			X (Age 7 & over)	X
Adult Immunizations			X	X
Annual Wellness Exam			X	X
Well Woman Exam			X	X
Annual Physicals				X
Employment Physicals	X		X	X
Sports Physicals	X		X	X
Flu Shots	X		X	X
Skin Conditions/Rashes	X			X
Wound Care	X			X
Worker's Comp	X		X	X
Drug testing/screenings	X		X	X*
DOT Exam	X			X*
Disability Exams			X	X
Sprains and Strains	X	X	X	X
Muscles aches and pains	X		X	
Laceration Care and Treatment	X			
UTI	X	X	X	
ENT Infections	X	X	X	X
GI Distress	X		X	X
Allergies, Asthma	X	X	X	X
Lab Testing	X	X		X
X-ray	X	X		X

*Not all primary care practices offer these services.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

21. Section C, Orderly Development, Item 3 and Item 4

The comments reflect that Team Health has the ability to fulfill emergency department staffing needs. However, more information would be appreciated. Please provide a brief overview about Team Health including the following: (a) nature and scope of contractual relationship with BMH, (b) Team Health services, and (c) requirements related to medical staff privileges.

Response:
TeamHealth is the organization that is providing professional physician services for Emergency Departments. TeamHealth typically will staff 1 physician for emergency department with volumes up to 14,000 visits annually. Advance practitioners may join physicians. On average, physician staffing will vary based on the number of patients expected per adjusted hour.

All TeamHealth physicians are credentialed to practice at Baptist Memorial Health Care facilities.

Please complete the following chart showing the FTE staffing plan for the proposed satellite ED:

Applicant's Projected Staffing of Proposed Satellite ED by Shift

Position	7-3 # FTEs	3-11 # FTEs	11-7 # FTEs
Emergency Medicine Physician	1	1	1
Director	1		
Manager	1		
RN	2	2	2
Respiratory Therapist	1.5	1	1
Lab Tech	2.5	2	1
Ultrasound Tech (12 hr shift)	1	1	
X-Ray/CT Tech (12 hr shift)	2.5	2.5	
MM Tech			
Other (MAs)	1	1	
Total	13.5	10.5	5

Please also clarify if there will be security available at the proposed satellite ER. If so, please identify in the table above. If security personnel are not included in the applicant's staffing plan, please explain.

Response:
Security will be provided as discussed in response to a previous item. The staffing plan was provided for medical personnel only.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF SHELBY

NAME OF FACILITY: CN1508-037 BAPTIST MEMORIAL HOSPITAL

I, GREGORY M DUCKETT, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 26th day of August, 2015 witness my hand at office in the County of Shelby, State of Tennessee.

NOTARY PUBLIC

PAULETTE E. KEARNEY
STATE OF TENNESSEE NOTARY PUBLIC
SHELBY COUNTY

My Comm. Exp. August 21, 2016

My commission expires _____, _____.

HF-0043

Revised 7/02

KPMG

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)

Basic Financial Statements and Schedules

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)

Table of Contents

SUPPLEMENTAL #1
August 31, 2015
10:16 am

KPMG LLP
Suite 900
50 North Front Street
Memphis, TN 38103-1194

Independent Auditors' Report

The Board of Directors
Shelby County Health Care Corporation:

Report on the Financial Statements

We have audited the accompanying statements of net position and statements of revenues, expenses, and changes in net position and cash flows of Shelby County Health Care Corporation, a component unit of Shelby County, Tennessee (d/b/a Regional One Health) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of Shelby County Health Care Corporation as of June 30, 2014 and 2013, and the respective changes in net position and cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Shelby County Health Care Corporation's basic financial statements. The supplementary information included in schedule 1, 2, 3 and 4 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2014 on our consideration of Shelby County Health Care Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shelby County Health Care Corporation's internal control over financial reporting and compliance.

KPMG LLP

Memphis, Tennessee
November 4, 2014

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)

Statements of Net Position

June 30, 2014 and 2013

Assets	2014	2013
Assets:		
Cash and cash equivalents	$ 10,023,233	15,471,067
Investments	123,798,464	121,197,478
Patient accounts receivable, net of allowances for uncollectible accounts of $107,042,000 in 2014 and $102,548,000 in 2013	47,902,547	45,906,287
Other receivables	12,775,401	9,870,264
Other current assets	6,249,402	4,974,546
Restricted cash	542,310	—
Restricted investments	3,585,842	3,720,087
Investment in joint ventures	992,607	—
Notes receivable	19,221,600	—
Capital assets, net	102,349,163	87,769,941
Total assets	$ 327,440,569	288,909,670
Liabilities and Net Position		
Liabilities:		
Accounts payable	$ 8,023,749	12,042,438
Accrued expenses and other current liabilities	40,046,502	27,518,945
Accrued professional and general liability costs	4,852,000	5,200,000
Net postemployment benefit obligation	750,000	912,000
Notes payable	26,550,000	—
Total liabilities	80,222,251	45,673,383
Net position:		
Net investment in capital assets, net of related debt	75,799,163	87,769,941
Restricted for:		
Capital assets	2,670,763	2,897,689
Indigent care	915,079	822,398
Notes payable	542,310	—
Unrestricted	167,291,003	151,746,259
Total net position	247,218,318	243,236,287
Commitments and contingencies		
Total liabilities and net position	$ 327,440,569	288,909,670

See accompanying notes to basic financial statements.

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2014 and 2013

	2014	2013
Operating revenues:		
Net patient service revenue (including additional incremental reimbursement from various state agencies for participation in TennCare/Medicaid programs of approximately $63,819,000 in 2014 and $72,928,000 in 2013)	$ 303,180,150	303,785,730
Other revenue	22,947,938	17,299,369
Total operating revenues	326,128,088	321,085,099
Operating expenses:		
Salaries and benefits	160,916,628	150,862,502
Supplies and services	76,026,589	70,047,247
Physician and professional fees	27,624,135	27,904,579
Purchased medical services	26,093,695	23,827,404
Plant operations	13,366,419	12,348,849
Insurance	2,333,416	2,011,533
Administrative and general	34,351,853	31,961,705
Community services	1,020,346	632,390
Depreciation and amortization	16,330,726	13,000,644
Total operating expenses	358,063,807	332,596,853
Operating loss	(31,935,719)	(11,511,754)
Nonoperating revenues (expenses):		
Interest expense	(212,400)	—
Investment income	5,118,741	347,504
Appropriations from Shelby County	26,816,001	26,816,001
Other	4,195,408	306,665
Total nonoperating revenues, net	35,917,750	27,470,170
Increase in net position	3,982,031	15,958,416
Net position, beginning of year	243,236,287	227,277,871
Net position, end of year	$ 247,218,318	243,236,287

See accompanying notes to basic financial statements.

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Receipts from and on behalf of patients and third-party payers	$ 301,167,031	307,747,888
Other cash receipts	21,427,170	16,361,590
Payments to suppliers	(179,332,705)	(166,237,587)
Payments to employees and related benefits	(156,180,748)	(152,211,460)
Net cash (used in) provided by operating activities	(12,919,252)	5,660,431
Cash flows from noncapital financing activity:		
Appropriations received from Shelby County	26,816,001	26,816,001
Net cash provided by noncapital financing activity	26,816,001	26,816,001
Cash flows from capital and related financing activities:		
Capital expenditures	(30,909,949)	(37,669,963)
Proceeds from new market tax credit	26,550,000	—
Proceeds from pledges	3,195,408	—
Proceeds from sale of capital assets	—	40,600
Interest payments	(75,525)	—
Net cash used in capital and related financing activities	(1,240,066)	(37,629,363)
Cash flows from investing activities:		
Proceeds from issuance of notes receivable	(19,221,600)	—
Purchases of investments	(179,509,769)	(236,280,471)
Proceeds from sale of investments	176,002,728	240,307,747
Investment in joint ventures	(992,607)	—
Distributions received from joint venture	—	277,065
Investment income proceeds	6,159,041	(2,327,993)
Net cash (used in) provided by investing activities	(17,562,207)	1,976,348
Net decrease in cash and cash equivalents	(4,905,524)	(3,176,583)
Cash and cash equivalents, beginning of year	15,471,067	18,647,650
Cash and cash equivalents, end of year	$ 10,565,543	15,471,067

(Continued)

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	2014	2013
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	$ (31,935,719)	(11,511,754)
Adjustment to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	16,330,727	13,000,644
Changes in operating assets and liabilities:		
Patients accounts receivable, net	(1,996,260)	4,240,851
Other receivables	(1,419,329)	(1,326,520)
Other current assets	(1,274,856)	(667,802)
Accounts payable	(4,504,497)	2,383,912
Accrued expenses and other current liabilities	12,390,682	359,100
Accrued professional and general liability costs	(348,000)	(818,000)
Net postemployment benefit obligation	(162,000)	—
Net cash (used in) provided by operating activities	$ (12,919,252)	5,660,431
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents in current assets	$ 10,023,233	15,471,067
Cash and cash equivalents held for payment of outstanding debt fees	542,310	—
Total cash and cash equivalents	$ 10,565,543	15,471,067
Supplemental schedule of noncash investing and financing activities:		
Net increase (decrease) in the fair value of investments	$ 1,088,490	(2,674,511)
Equity in loss of joint ventures	94,662	—
Gain on capital asset disposals	—	29,600

See accompanying notes to basic financial statements.

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)
Notes to Basic Financial Statements
June 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies

Shelby County Health Care Corporation (d/b/a Regional One Health) was incorporated on June 15, 1981, with the approval of the Board of County Commissioners of Shelby County, Tennessee (the County). Regional One Health is a broad continuum healthcare provider that operates facilities owned by the County under a long-term lease. The lease arrangement effectively provided for the transfer of title associated with operating fixed assets and the long-term lease (for a nominal amount) of related real property. The lease expires in 2063.

On February 24, 2014, Regional One Health changed their d/b/a (assumed name) from The Regional Medical Center at Memphis to Regional One Health. Additionally, The Regional Medical Center at Memphis Foundation adopted a d/b/a of Regional One Health Foundation.

Regional One Health is a component unit of the County as defined by Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. Regional One Health's component unit relationship to the County is principally due to financial accountability and financial benefit or burden as defined in GASB Statement No. 61. Regional One Health is operated by a 13-member board of directors, all of whom are appointed by the Mayor of the County and approved by the County Commission.

Regional One Health Foundation is a component unit of Regional One Health principally due to Regional One Health's financial accountability and financial benefit or burden for Regional One Health Foundation as defined in GASB Statement No. 61. Regional One Health Foundation is operated by a board of directors, all of whom are appointed by Regional One Health's board. Regional One Health Foundation is a blended component unit of Regional One Health because it provides services entirely to Regional One Health. Regional One Health Foundation issues separate audited financial statements, which can be obtained by writing to Regional Medical Center Foundation, 877 Jefferson Avenue, Memphis, Tennessee 38103 or by calling 901-545-7482.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires a management's discussion and analysis (MD&A) section providing an analysis of Regional One Health's overall financial position and results of operations; however, Regional One Health has chosen to omit the MD&A from these accompanying financial statements.

The significant accounting policies used by Regional One Health in preparing and presenting its financial statements follow:

(a) Presentation

The financial statements include the accounts of Regional One Health and its wholly owned subsidiaries. Such subsidiaries include Regional One Properties, Inc., Regional Med Extended Care Hospital, LLC, and Shelby County Health Care Properties, Inc. All material intercompany accounts and transactions have been eliminated.

(Continued)

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items subject to estimates and assumptions include the determination of the allowances for contractual adjustments and uncollectible accounts, reserves for professional and general liability claims, reserves for employee healthcare claims, net postretirement benefit cost and obligation, and estimated third-party payor settlements.

In addition, laws and regulations governing Medicare, TennCare, and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

(c) Enterprise Fund Accounting

Regional One Health's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting.

(d) Cash Equivalents

Regional One Health considers investments in highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(e) Investments and Investment Income

Investments are carried at fair value, principally based on quoted market prices. Investment income (including realized and unrealized gains and losses) from investments is reported as nonoperating revenue.

(f) Inventories

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or replacement market.

(g) Investments in Joint Ventures

Investments in joint ventures consist of Regional One Health's equity interests in joint ventures as measured by its ownership interest if Regional One Health has an ongoing financial interest in or ongoing financial responsibility for the joint venture. The investments are initially recorded at cost and are subsequently adjusted for additional contributions, distributions, undistributed earnings and losses, and impairment losses.

(h) Capital Assets

Capital assets are recorded at cost, if purchased, or at fair value at the date of donation. Depreciation is provided over the useful life of each class of depreciable asset using the straight-line method.

(Continued)

Maintenance and repairs are charged to operations. Major renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the gain or loss, if any, is included in nonoperating revenues (expenses) in the accompanying statements of revenues, expenses, and changes in net position.

Regional One Health capitalizes interest cost on qualified construction expenditures, net of income earned on related trusteed assets, as a component of the cost of related projects. No such interest costs were capitalized in 2014 or 2013.

All capital assets other than land are depreciated using the following lives:

Land improvements	5 to 25 years
Buildings and improvements	10 to 40 years
Fixed equipment	5 to 25 years
Movable equipment	3 to 20 years
Software	3 years

(i) Impairment of Capital Assets

Capital assets are reviewed for impairment when service utility has declined significantly. If such assets are no longer used, they are reported at the lower of carrying value or fair value. If such assets will continue to be used, the impairment loss is measured using the method that best reflects the diminished service utility of the capital asset. No charge related to impairment matters was required during 2014 or 2013.

(j) Compensated Absences

Regional One Health's employees accumulate vacation, holiday, and sick leave at varying rates depending upon years of continuous service and payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation and holiday time at regular rate of pay up to a designated maximum number of days. Since the employees' vacation and holiday time accumulates and vests, an accrual for this liability is included in accrued expenses and other current liabilities in the accompanying statements of net position. An accrual is recognized for unused sick leave expected to be paid to employees eligible to retire.

(k) Net Position

Net position of Regional One Health is classified into the following components:

- *Net investment in capital assets*, consist of capital assets net of accumulated depreciation.
- *Restricted* include those amounts with limits on their use that are externally imposed (by creditors, grantors, contributors, or the laws and regulations of other governments).
- *Unrestricted* represents remaining amounts that do not meet either of the above definitions.

(Continued)

When Regional One Health has both restricted and unrestricted resources available to finance a particular program, it is Regional One Health's policy to use restricted resources before unrestricted resources.

Regional One Health Foundation historically and to-date does not maintain donor-restricted endowment funds, or any Board-designated endowments. Regional One Health Foundation's Board has interpreted Tennessee's State Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. In all material respects, income from Regional One Health Foundation's donor-restricted endowment funds is itself restricted to specific donor-directed purposes, and is, therefore, accounted for within restricted amounts until expended in accordance with the donor's wishes. Regional One Health Foundation oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved.

(l) Statement of Revenues, Expenses, and Changes in Net Position

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services, other than financing costs, are reported as operating revenues and operating expenses. Other transactions, such as investment income, interest expense, appropriations from Shelby County, gain (loss) on disposal of capital assets, and equity in earnings and impairment losses of joint ventures, are reported as nonoperating revenues and expenses.

(m) Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Changes in estimates related to prior cost reporting periods resulted in an increase in net patient service revenue of approximately $1,193,000 and $1,552,000 in 2014 and 2013, respectively.

(n) Charity Care

Regional One Health provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Regional One Health does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

When defining charity care, Regional One Health employs the Federal Poverty Guideline (FPG) to determine the level of discount uninsured patients receive. The level by which assistance is determined is through the scale set by the Department of Health and Human Services, which includes factors such as residents per household and income. Regional One Health's methodology includes all patients that fall at or below the 150% FPG baseline. Regional One Health does not have a cap to which patients will not qualify for a discount. Additionally, Regional One Health's charity care guidelines provide

(Continued)

for an expansive definition of charity care patients, including an upfront discount from standard charges for uninsured patients.

(o) Income Taxes

Regional One Health is a not-for-profit corporation organized by the approval of the Board of County Commissioners of the County and qualifies as a tax-exempt entity under Internal Revenue Code (IRC) Section 501(a) as organizations described in IRC Section 501(c)(3), and therefore, related income is generally not subject to federal or state income taxes, except for tax on income from activities unrelated to its exempt purpose as described in IRC Section 512(a). Thus, no provision for income taxes has been recorded in the accompanying financial statements.

(p) Appropriations

The County has historically appropriated funds annually to Regional One Health to partially offset the cost of medical care for indigent residents of the County. Appropriations for indigent residents from the County were approximately $26.8 million for both the years ended June 30, 2014 and 2013. Appropriations from the County are reported as nonoperating revenue in the accompanying statements of revenues, expenses, and changes in net position.

(q) Recent Pronouncements

During the year ended June 30, 2014, Regional One Health adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Statement No. 65), which was published in March 2012. This new pronouncement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of Statement No. 65 did not have a material impact on Regional One Health's financial statements.

(r) Subsequent Events

Regional One Health has evaluated subsequent events through November 4, 2014, the date at which the financial statements were issued, and determined that there are no subsequent events to be recognized in the financial statements and related notes, other than the matter described in note 14.

(2) Deposits and Investments

The composition of cash and cash equivalents follows:

	2014	2013
Cash	$ 10,003,743	15,449,393
Money market funds	19,490	21,674
	$ 10,023,233	15,471,067

(Continued)

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)
Notes to Basic Financial Statements
June 30, 2014 and 2013

Regional One Health's and Regional One Health Foundation's bank balances that are considered to be exposed to custodial credit risk are $9,686,816 and $15,088,140 at June 30, 2014 and 2013, respectively. Federal deposit insurance is $250,000 on all noninterest bearing accounts as of June 30, 2014 and 2013.

Investments and restricted investments include amounts held by both Regional One Health and Regional One Health Foundation.

The composition of investments and restricted investments follows:

	2014	2013
U.S. agencies	$ 65,808,105	64,876,372
Certificates of deposit	898,145	1,132,337
Corporate bonds	42,424,868	33,593,663
Demand deposit accounts and money market funds	5,267,851	6,192,098
U.S. government funds	448,152	696,264
Common stock	7,754,314	3,510,579
Bond funds and Bond exchange-traded fund	4,146,023	14,327,594
Accrued interest	636,848	588,658
	$ 127,384,306	124,917,565

At June 30, 2014, Regional One Health and Regional One Health Foundation had investments in debt securities with the following maturities:

		Investment and restricted investment maturities (in years)			
	Fair value	Less than 6 months	6 months to 1 year	1 – 5 years	5+ years
U.S. agencies	$ 65,808,105	—	—	23,484,145	42,323,960
Corporate bonds	42,424,868	1,510,330	1,950,695	35,320,680	3,643,163
	$ 108,232,973	1,510,330	1,950,695	58,804,825	45,967,123

At June 30, 2013, Regional One Health and Regional One Health Foundation had investments in debt securities with the following maturities:

		Investment and restricted investment maturities (in years)			
	Fair value	Less than 6 months	6 months to 1 year	1 – 5 years	5+ years
U.S. agencies	$ 64,876,372	—	—	6,957,190	57,919,182
Corporate bonds	33,593,663	1,440,126	616,649	26,579,958	4,956,930
	$ 98,470,035	1,440,126	616,649	33,537,148	62,876,112

(Continued)

There were no investments that represented 5% or more of total investments for both Regional One Health Foundation and Regional One Health as of June 30, 2014. At June 30, 2013, Regional One Health Foundation had one investment totaling $696,263 in the SEI Daily Income Trust Government Fund that represented 5% or more of total investments for Regional One Health Foundation. Regional One Health as of June 30, 2013 had one investment totaling $13,351,894 in iShares Barclays Intermediate Term Corporate Credit Fund that represented more than 5% of total investments.

Regional One Health and Regional One Health Foundation have separate investment policies that are included below. The summary of investments throughout the financial statements include the combined investment totals of Regional One Health and Regional One Health Foundation.

At June 30, 2014, Regional One Health's and Regional One Health Foundation's corporate bonds, collectively, had the following credit ratings per Standard and Poor's:

	Fair value	Credit rating
$	2,513,637	BBB-
	4,760,073	BBB
	3,505,818	BBB+
	12,748,006	A-
	12,685,509	A
	3,111,023	A+
	915,948	AA-
	997,873	AA
	1,186,981	AA+
$	42,424,868	

At June 30, 2013, Regional One Health's and Regional One Health Foundation's corporate bonds, collectively, had the following credit ratings per Standard and Poor's:

	Fair value	Credit rating
$	302,061	BBB-
	2,408,467	BBB
	2,820,895	BBB+
	14,018,451	A-
	9,493,989	A
	2,940,469	A+
	541,102	AA-
	1,068,229	AA+
$	33,593,663	

Regional One Health's and Regional One Health Foundation's investments in discount notes at June 30, 2014 and 2013 were not rated.

(Continued)

As of June 30, 2014, Regional One Health's investment strategy, per its investment policy, is to provide liquidity to fund ongoing operating needs and to act as a repository for both the accumulation of cash reserves needed to cushion economic down cycles and to provide cash earmarked for strategic needs.

The portfolio objectives of Regional One Health, listed in order of importance, are as follows:

1. Preserve principal
2. Maintain sufficient liquidity to meet future cash needs
3. Maintain a diversified portfolio to minimize risk
4. Maximize return subject to the above criteria

The duration of the bond investment portfolio should not exceed six years.

The authorized investments are as follows:

1. *Commercial Paper* – Any commercial paper issued by a domestic corporation with a maturity of 270 or less days that carries at least the second highest rating by a recognized investor service, preferably Standard and Poor's and Moody's Investors Service. Commercial paper shall not represent more than 50% of the portfolio.
2. *U.S. Treasury Securities* – U.S. Treasury notes, bills, and bonds. There is no upper limit restriction as to the maximum dollar amount or percentage of the portfolio that may be invested in U.S. Treasury securities.
3. *Bank Obligations* – Any certificate of deposit, time deposit, Eurodollar CD issued by a foreign branch of a U.S. bank, bankers' acceptance, bank note, or letter of credit issued by a (U.S.) bank possessing at least the second highest rating by a recognized investor services, preferably Standard and Poor's and Moody's Investors Service. Bank obligations (excluding repurchase agreements, commercial paper, and investments held by money market and mutual funds) may not represent more than 30% of the portfolio. In addition, brokered CDs may be purchased from institutions, irrespective of the institutions' debt ratings, so long as the obligations are fully backed by the FDIC.
4. *Repurchase Agreements* – Any Repurchase Agreement purchased from one of the top 25 U.S. banks or one of the primary dealers regulated by the Federal Reserve that is at least 102% collateralized by U.S. government obligations. Repurchase Agreements may not represent more than 20% of the portfolio.
5. *Money Market Funds* – Any open-end money market fund regulated by the U.S. government under Investment Company Act Rule 2a-7. Any investment fund regulated by a Registered Investment Advisor under Rule 3c-7. Such fund investment guidelines must state that "the fund will seek to maintain a $1 per share net asset value." Regional One Health's investment in any one fund may not exceed 30% of the assets of the fund into which it is invested.

(Continued)

6. *United States Government Obligations* – Any obligation issued or backed (federal agencies) by the U.S. government. No more than 25% may be invested in obligations of any one federal agency.

7. *Corporate Bonds* – Obligations of United States and foreign corporations (including trusts and municipalities of the United States) that carry at least the third highest rating by a recognized rating service, preferably Standard & Poor's or Moody's Investors Service. Corporate bonds, held directly and initially qualifying in one of the above categories, which have been downgraded below the third highest rating, may be sold at the discretion of management. Corporate bonds may not represent more than 40% of the portfolio, foreign corporate bonds may not represent more than 20% of the portfolio, and corporate bonds in the fourth highest rating category may not represent more than 20% of the portfolio.

8. *Bond Mutual Funds* – Any publicly available investment registered under the Investment Company Act of 1940 as on open-end mutual fund that is managing a portfolio or debt obligations. Each mutual fund should have a minimum of $2 billion invested and hold at least 100 different debt obligations. Bond mutual funds can only hold the Authorized Investments meeting all the criteria described above. Additionally, bond mutual funds can hold corporate bonds in the fifth and sixth highest ratings category as long as such holdings to not exceed 10% of the portfolio. Corporate bonds, held via bond mutual funds and initially qualifying in one of the above categories, which have been downgraded below the sixth highest rating, may not exceed 2% of the portfolio.

9. *Equity Mutual Funds* – Any publicly available investment registered under the Investment Company Act of 1940 as an open-end mutual fund that is managing a portfolio of equity securities. Each mutual fund should have a minimum of $2 billion invested and hold at least 100 different equity securities. Such holdings should not represent more than 20% of the portfolio, Equity Mutual Funds can hold equity securities (including common and preferred stocks) of the 1,000 largest corporations in terms of market capitalization and inclusion in the Russell 1000 Index (representing large cap stocks) that are traded on U.S. exchanges reported in the Wall Street Journal.

10. *Debt Buy Back* – Any debt obligation backed directly by Regional Medical Center may be purchased so long as it is purchased at a discount.

11. Notwithstanding the above criteria, direct investments other than mutual funds that meet the following criteria are not permitted: corporations with more than 25% of revenues derived from the manufacture and sale of firearms, ammunition, and ammunition magazines to the general citizenry.

The Finance Committee of the Board of Directors meets periodically to review asset allocation, portfolio performance, and overall adherence to the investment policy guidelines.

As of June 30, 2014 and 2013, Regional One Health Foundation utilized one investment manager. This manager is required to make investments in adherence to Regional One Health Foundation's current investment policy and objectives.

Regional One Health Foundation follows an investment strategy focused on maximizing total return (i.e., aggregate return from capital appreciation and dividend and interest income) while adhering to certain restrictions designed to promote a conservative portfolio.

(Continued)

Specifically, the primary objective of Regional One Health Foundation investment management strategy is to maintain an investment portfolio designed to generate a high level of current income with above-average stability.

Guidelines for investments and cash equivalents for Regional One Health Foundation follow:

1. Regional One Health Foundation's assets may be invested only in investment grade bonds rated Baa or higher as determined by Moody's Investors Service or by another acceptable rating agency.
2. The overall market-weighted quality rating of the bond portfolio shall be no lower than A.
3. Regional One Health Foundation's assets may be invested only in commercial paper rated P-2 (or equivalent) or better by Moody's Investors Service or by another acceptable rating agency.
4. The market-weighted maturity of the base portfolio shall be no longer than 10 years.
5. Quality of the equity securities will be governed by the federal Employee Retirement and Income Security Act, the Tennessee guidelines for investing trust funds, and the "prudent man rule."
6. Conservative option strategies may be used, with a goal of increasing the stability of the portfolio.

Regional One Health Foundation limits investments in common stock to 40% of its investment portfolio. The remainder of the portfolio is to be invested in fixed income investments.

Investment income is comprised of the following:

	2014	2013
Dividend and interest income	$ 4,030,251	3,022,015
Net increase (decrease) in the fair value of investments	1,088,490	(2,674,511)
	$ 5,118,741	347,504

(3) Business and Credit Concentrations

Regional One Health grants credit to patients, substantially all of whom are local area residents. Regional One Health generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, and commercial insurance policies).

(Continued)

The mix of receivables from patients and third-party payors follows, before application of related valuation allowances:

	2014	2013
Commercial insurance	29%	31%
Patients	42	36
Medicaid/TennCare	14	17
Medicare	15	16
	100%	100%

(4) Other Receivables

The composition of other receivables follows:

	2014	2013
Accounts receivable from University of Tennessee Center for Health Services	$ 1,499,759	1,618,058
Accounts receivable from the County	85,025	49,536
Accounts receivable from the State of Tennessee	5,294,164	5,277,305
Grants receivable	337,080	291,099
Other	5,559,373	2,634,266
	$ 12,775,401	9,870,264

(5) Other Current Assets

The composition of other current assets follows:

	2014	2013
Inventories	$ 3,271,126	3,857,425
Prepaid expenses	2,978,276	1,117,121
	$ 6,249,402	4,974,546

(Continued)

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)
Notes to Basic Financial Statements
June 30, 2014 and 2013

(6) Capital Assets

Capital assets and related activity consist of the following:

	Balances at June 30, 2013	Additions	Retirements	Transfers	Balances at June 30, 2014
Capital assets not being depreciated:					
Construction in progress	$ 9,919,814	21,579,341	—	(29,914,121)	1,585,034
Land	5,835,326	—	—	—	5,835,326
Total book value of capital assets not being depreciated	15,755,140	21,579,341	—	(29,914,121)	7,420,360
Capital assets being depreciated:					
Land improvements	6,864,451	336,240	—	68,783	7,269,474
Buildings	65,236,701	—	—	—	65,236,701
Fixed equipment	115,975,722	563,716	—	22,360,841	138,900,279
Movable equipment	138,377,501	5,287,528	—	7,093,380	150,758,409
Software	29,305,039	3,143,124	—	391,117	32,839,280
Total book value of capital assets being depreciated	355,759,414	9,330,608	—	29,914,121	395,004,143
Less accumulated depreciation for:					
Land improvements	(5,623,999)	(162,326)	—	—	(5,786,325)
Buildings	(56,578,513)	(732,279)	—	—	(57,310,792)
Fixed equipment	(93,225,866)	(4,160,595)	—	—	(97,386,461)
Movable equipment	(111,960,174)	(7,958,275)	—	—	(119,918,449)
Software	(16,356,061)	(3,317,252)	—	—	(19,673,313)
Total accumulated depreciation	(283,744,613)	(16,330,727)	—	—	(300,075,340)
Capital assets being depreciated, net	72,014,801	(7,000,119)	—	29,914,121	94,928,803
Capital assets, net	$ 87,769,941	14,579,222	—	—	102,349,163

(Continued)

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)
Notes to Basic Financial Statements
June 30, 2014 and 2013

	Balances at June 30, 2012	Additions	Retirements	Transfers	Balances at June 30, 2013
Capital assets not being depreciated:					
Construction in progress	$ 7,641,128	31,289,335	—	(29,010,649)	9,919,814
Land	108,955	—	—	5,726,371	5,835,326
Total book value of capital assets not being depreciated	7,750,083	31,289,335	—	(23,284,278)	15,755,140
Capital assets being depreciated:					
Land improvements	6,812,481	51,970	—	—	6,864,451
Buildings	65,236,701	—	—	—	65,236,701
Fixed equipment	110,348,027	1,441,911	—	4,185,784	115,975,722
Movable equipment	125,991,913	4,468,458	(21,797)	7,938,927	138,377,501
Software	17,730,009	418,289	(2,826)	11,159,567	29,305,039
Total book value of capital assets being depreciated	326,119,131	6,380,628	(24,623)	23,284,278	355,759,414
Less accumulated depreciation for:					
Land improvements	(5,473,625)	(150,374)	—	—	(5,623,999)
Buildings	(55,773,625)	(804,888)	—	—	(56,578,513)
Fixed equipment	(90,073,720)	(3,152,146)	—	—	(93,225,866)
Movable equipment	(105,150,605)	(6,823,192)	13,623	—	(111,960,174)
Software	(14,286,017)	(2,070,044)	—	—	(16,356,061)
Total accumulated depreciation	(270,757,592)	(13,000,644)	13,623	—	(283,744,613)
Capital assets being depreciated, net	55,361,539	(6,620,016)	(11,000)	23,284,278	72,014,801
Capital assets, net	$ 63,111,622	24,669,319	(11,000)	—	87,769,941

(7) Investments in Joint Ventures

In March 2014, Regional One Properties, Inc., a wholly owned subsidiary of Shelby County HealthCare Corporation, became a 50% owner in Regional One RH MOB 1 SPE, LLC. This joint venture with a local developer and other various owners was to purchase an office building in Memphis, TN with intentions of converting this building into medical space and offices. Regional One Properties, Inc. made an initial investment of approximately $1,000,000.

(8) New Market Tax Credit Program and Long-term Debt

Regional One Health entered into a transaction with SunTrust Community Capital, LLC on September 13, 2013 to obtain financing through the New Market Tax Credit (NMTC) Program sponsored by the Department of Treasury. The NMTC Program permits certain corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments (QEI) in community development entities. The credit

(Continued)

provided to the investor totals 39% of the initial value of the QEI and is claimed over a seven-year credit allowance period.

As part of this transaction Regional One Health and SunTrust Community Capital, LLC contributed approximately $19,222,000 and $7,328,000, respectively, to The Med Memphis Investment Fund, LLC, an entity created to provide funding for investments in special purposes entities called community development entities (CDEs). Regional One Health provided funding and received a notes receivable as part of the NMTC program as follows:

	2014
Notes receivable	$ 19,221,600

The notes receivable requires interest only payments of 1.119% annually on the unpaid principal balance, which is due on February 15 following the end of a calendar year, beginning February 15, 2014 through February 15, 2021. Beginning on February 15, 2022, principal and interest payments will be due and will continue annually until the maturity of the notes receivable on February 15, 2035. Additional principal payments are required related to this notes receivable in an amount equal to 90% of net cash flow, as defined in the borrowers operating agreement.

In fiscal year 2014, Shelby County Health Care Properties, Inc. was formed as part of the NMTC Program with Regional One Health as the sole member. Shelby County Health Care Properties, Inc. executed note payable agreements on September 13, 2013 with several CDE's that provide for borrowings of $26,550,000. The proceeds from these notes payable were used for the expansion of Regional One Health and are treated as "qualified low-income community investment" for purposes of generating new markets tax credits under Section 45d of the Internal Revenue Code of 1986, as amended.

Long-term debt related to the NMTC program consisted of the following as of June 30, 2014:

Note payable to RGC 2, LLC, interest paid quarterly at an interest rate of 1.00%, the maturity date is September 13, 2038	$ 5,500,000
Note payable to NDC New Markets Investments LXXXIII, LLC, interest paid quarterly at an interest rate of 1.00%, the maturity date is September 13, 2038	6,790,000
Note payable to CHHS Subsidiary CDE 7, LLC, interest paid quarterly at an interest rate of 1.00%, the maturity date is September 13, 2038	7,760,000
Note payable to ST CDE XIV, LLC, interest paid quarterly at an interest rate of 1.00%, the maturity date is September 13, 2038	6,500,000
	$ 26,550,000

(Continued)

A schedule of changes in the long-term debt related to the NMTC program for 2014 follows:

	Date of Issuance	Balance July 1, 2013	Additions	Retired	Balance June 30, 2014	Due within one year
Note payable to RGC 2, LLC	9/13/2013	$ —	5,500,000	—	5,500,000	—
Note payable to NDC New Markets Investment LXXXIII, LLC	9/13/2013	—	6,790,000	—	6,790,000	—
Note payable to CHHS subsidiary CDE 7, LLC	9/13/2013	—	7,760,000	—	7,760,000	—
Note payable to ST CDE XIV, LLC	9/13/2013	—	6,500,000	—	6,500,000	—
		$ —	26,550,000	—	26,550,000	—

The aggregate annual maturities of the long-term debt at June 30, 2014 are as follows:

2015	$ —
2016	—
2017	—
2018	—
2019	—
Thereafter	26,550,000
	$ 26,550,000

The principle balance is due, for each of the notes payable listed above, in its entirety on the stated maturity date. Interest paid was approximately $76,000 in 2014. There were no interest payments in 2013.

(9) Accrued Expenses and Other Current Liabilities

The composition of accrued expenses and other current liabilities follows:

	2014	2013
Due to third-party payors	$ 9,225,000	5,198,000
Compensated absences	7,949,085	7,202,696
Deferred grant revenue	3,382,545	—
Accrued payroll and withholdings	10,562,740	6,573,249
Accrued employee healthcare claims	1,826,000	1,745,000
Current professional and general liability costs	2,300,000	2,300,000
Other	4,801,132	4,500,000
	$ 40,046,502	27,518,945

(Continued)

(10) Net Patient Service Revenue

Regional One Health has agreements with governmental and other third-party payors that provide for reimbursement to Regional One Health at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- *Medicare* – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based on cost reimbursement or other retroactive-determination methodologies. Regional One Health is paid for retroactively determined items at tentative rates with final settlement determined after submission of annual cost reports by Regional One Health and audits thereof by Regional One Health fiscal intermediary.

  Regional One Health's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. Regional One Health's Medicare cost reports have been audited and settled by Regional One Health fiscal intermediary through June 30, 2010. Revenue from the Medicare program accounted for approximately 23% and 17% of Regional One Health's net patient service revenue for the years ended June 30, 2014 and 2013, respectively.

- *TennCare* – Under the TennCare program, patients traditionally covered by the State of Tennessee Medicaid program and certain members of the uninsured population enroll in managed care organizations that have contracted with the State of Tennessee to ensure healthcare coverage to their enrollees. Regional One Health contracts with the managed care organizations to receive reimbursement for providing services to these patients. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diem rates. Revenue from the TennCare program accounted for approximately 25% and 27% of Regional One Health's net patient service revenue for the years ended June 30, 2014 and 2013, respectively.

  Regional One Health has historically received incremental reimbursement in the form of Essential Access payments through its participation in the TennCare Program. Amounts received by Regional One Health under this program were approximately $57.0 million and $66.4 million in 2014 and 2013, respectively. These amounts have been recognized as reductions in related contractual adjustments in the accompanying statements of revenues, expenses, and changes in net position. There can be no assurance that Regional One Health will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified. Any material reduction in such funds has a correspondingly material adverse effect on Regional One Health's operations.

- *Arkansas Medicaid* – Substantially all inpatient and outpatient services rendered to Arkansas Medicaid program beneficiaries are paid under prospective reimbursement methodologies established by the State of Arkansas. Certain other reimbursement items (principally inpatient nursery services and medical education costs) are based upon cost reimbursement methodologies. Regional One Health is

reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by Regional One Health and audits thereof by the Arkansas Department of Health and Human Services (DHHS). Regional One Health's Arkansas Medicaid cost reports have been audited and settled by the Arkansas DHHS through June 30, 2007. Revenue from the State of Arkansas Medicaid program accounted for approximately 1.5% and 2% of Regional One Health's net patient service revenue for the years ended June 30, 2014 and 2013, respectively.

Regional One Health has historically received incremental reimbursement in the form of Upper Payment Limit (UPL) and additional appropriation payments through its participation in the State of Arkansas Medicaid program. The net benefit for Regional One Health associated with this program, totaling approximately $2.4 million and $2.3 million for the years ended June 30, 2014 and 2013, respectively, has been recognized as a reduction in related contractual adjustments in the accompanying statements of revenues, expenses, and changes in net position. There can be no assurance that Regional One Health will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

- *Mississippi Medicaid* – Inpatient and outpatient services rendered to Mississippi Medicaid program beneficiaries are generally paid based upon prospective reimbursement methodologies established by the State of Mississippi. Revenue from the State of Mississippi Medicaid program accounted for approximately 3% of Regional One Health's net patient service revenue for both the years ended June 30, 2014 and 2013.

  Regional One Health has historically received incremental reimbursement in the form of Upper Payment Limit (UPL) and additional appropriation payments through its participation in the State of Mississippi Medicaid program. The net benefit for Regional One Health associated with this program, totaling approximately $4.5 and $4.2 million for the years ended June 30, 2014 and 2013, respectively, has been recognized as a reduction in related contractual adjustments in the accompanying statements of revenues, expenses, and changes in net position.

- *Other* – Regional One Health has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The reimbursement methodologies under these agreements include prospectively determined rates per discharge, per diem amounts, and discounts from established charges.

The composition of net patient service revenue follows:

	2014	2013
Gross patient service revenue	$ 997,469,026	918,361,574
Less provision for contractual and other adjustments	618,033,743	565,394,523
Less provision for bad debts	76,255,133	49,181,321
Net patient service revenue	$ 303,180,150	303,785,730

(Continued)

The composition of incremental reimbursement from various state agencies for participation in TennCare/Medicaid programs follows:

	2014	2013
TennCare Essential Access	$ 56,894,499	66,428,367
Arkansas UPL/Disproportionate Share	2,434,905	2,268,466
Mississippi Disproportionate Share	4,490,029	4,231,388
Total payments	$ 63,819,433	72,928,221

The Health Information Technology for Economic and Clinical Health (HITECH) Act was enacted as part of the American Recovery and Reinvestment Act of 2009 and signed into law in February 2009. In the context of the HITECH Act, Regional One Health must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption and "meaningful use" of health information technology (HIT). The HITECH Act includes significant monetary incentives and payment penalties meant to encourage the adoption of EHR technology. Regional One Health will receive approximately $1.9 million and $2.9 million of incentive payments related to EHR implementation for the years ended June 30, 2014 and 2013, respectively. These amounts are included within net patient service revenue within the statements of revenues, expenses, and change in net position.

(11) Charity Care

Regional One Health maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone, based on established rates, were approximately $286.9 million and $340.7 million in 2014 and 2013, respectively. Included in the charges foregone is the upfront discount applied to all uninsured patients of approximately $130.4 million and $198.0 million in 2014 and 2013, respectively, as Regional One Health does not pursue collection on these amounts.

(12) Retirement Plans

(a) Defined Benefit Plan

Regional One Health contributes to the Shelby County Retirement System (the Retirement System), a cost-sharing single-employer defined benefit public employee retirement system (PERS) established by Shelby County, Tennessee. The Retirement System is administered by a board, the majority of whose members are nominated by the Shelby County Mayor, subject to approval by the Shelby County Board of Commissioners. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Shelby County Retirement System, Suite 950, 160 North Main, Memphis, Tennessee 38103 or by calling 901-545-3570.

Shelby County provides office space and certain administrative services at no cost to the Retirement System. All other costs to administer the plan are paid from plan earnings.

(Continued)

Substantially all full-time and permanent part-time employees of Shelby County (including Regional One Health and Shelby County's other component units), other than the Shelby County Board of Education employees, employees who have elected to be covered by Social Security with the exception of Regional One Health employees, employees designated as Comprehensive Employment Training Act employees after July 1, 1979, and certain employees of Regional One Health are required, as a condition of employment, to participate in the Retirement System.

The Retirement System consists of three plans (Plans A, B, and C). In 1990, Plans A and B were merged into one reporting entity, whereby total combined assets of the merged plans are available for payment of benefits to participants of either of the two previously existing plans. In 2005, Plan C was added and merged with Plans A and B for funding purposes. While the plans were merged, the Retirement System has retained the membership criteria of the previous plans, which are as follows:

- Plan C, a contributory cost-sharing multiple-employer defined benefit pension plan for employees who are also eligible for Plan A,
- Plan B, a contributory cost-sharing multiple-employer defined benefit pension plan for employees hired prior to December 1, 1978, and
- Plan A, a contributory cost-sharing multiple-employer defined benefit pension plan for employees hired on or after December 1, 1978, and those employees that elected to transfer to Plan A from Plan B before January 1, 1981. Plan A was noncontributory for all years prior to 2013.

The Shelby County Board of Commissioners establishes the Retirement System's benefit provisions. Once a person becomes a participant, that person will continue to participate as long as he or she is an employee of Shelby County or Regional One Health. The Retirement System provides retirement, as well as survivor and disability defined benefits.

The Retirement System's funding policy for employee contribution requirements is established by the Board of Administration of the Retirement System. The Shelby County Board of Commissioners establishes the Retirement System's funding policy for employer contribution requirements. For fiscal years 2014, 2013, and 2012, the employer contribution requirements were based on the actuarially determined contribution rates, which were 13.26%, 12.75%, and 12.01%, respectively.

The actuarially determined contribution rate was calculated using a projected unit credit service pro rata cost method for Plan A, Plan B, and Plan C participants.

(Continued)

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)
Notes to Basic Financial Statements
June 30, 2014 and 2013

For fiscal years 2014, 2013, and 2012, the following contributions were made to the defined benefit plans:

		2014	2013	2012
The Med's contributions:				
Plan A	$	367,032	360,271	365,157
Plan B		2,020	1,999	1,301
Plan C		82,447	86,391	108,501
Employee contributions:				
Plan A	$	20,783	15,728	8,608
Plan B		709	703	491
Plan C		23,343	26,524	33,251

The contributions as a percentage of earned compensation were the same as those for the Retirement System. Regional One Health contributed 100% of its required contributions in 2014, 2013, and 2012.

(b) Defined Contribution Plan

Effective July 1, 1985, Regional One Health established, under the authority of its Board of Directors, The Regional Medical Center at Memphis Retirement Investment Plan, a defined contribution pension plan covering employees 21 years of age and older who have completed one year of service, as defined, and are not participating in any other pension program to which Regional One Health makes contributions. The plan provides for employee contributions of between 2% and 6% of compensation and for equal matching contributions made by Regional One Health. Participants are immediately vested in their contributions plus actual earnings thereon. Participants vest 20% in the employers matching contributions after two years of service, 50% after three years, 75% after four years, and 100% after five years. Forfeitures are returned to Regional One Health to reduce future matching contributions. The defined contribution plan ceased accepting contributions on September 30, 2009; therefore, there were no contributions by Regional One Health or participants for the years ended June 30, 2014 and 2013.

Effective October 1, 2009, Regional One Health established, under the authority of its Board of Directors, The Regional Medical Center at Memphis 403(b) Retirement Plan, a defined contribution pension plan covering employees 21 years of age and older who have completed one year of service. The plan provides for a 50% employer match on employee contributions up to 6% of employee compensation. Participants are immediately vested in their contributions plus actual earnings thereon. Participants vest 20% in the employers matching contributions after two years of service, 50% after three years, 75% after four years, and 100% after five years. Forfeitures remain in the plan for the benefit of other participants. Regional One Health contributed $1.6 million to the 403(b) plan for both the years ended June 30, 2014 and 2013. 403(b) plan participants contributed approximately $3.4 million to the 403(b) plan for both the years ended June 30, 2014 and 2013.

Effective December 1, 2010, Regional One Health established, under the authority of its Board of Directors, The Regional Medical Center at Memphis Nonqualified Supplemental Retirement Plan

(Continued)

(Supplemental Retirement Plan). The Supplemental Retirement Plan was formed under Section 457(f) of the IRC of 1986, and management believes that it complies with all provisions applicable to a nonqualified deferred compensation plan under IRC Section 409A. Plan participants contributed approximately $84,000 to the plan for both the years ended June 30, 2014 and 2013.

(13) Postretirement Benefit Plan

Regional Medical Center Healthcare Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan sponsored and administered by Regional One Health. The Plan provides medical and life insurance benefits to eligible retirees and their spouses. Regional One Health's Board of Directors is authorized to establish and amend all provisions. Regional One Health does not issue a publicly available financial report that includes financial statements and required supplementary information for the Plan.

During fiscal year 2010, Regional One Health's Board of Directors approved a plan amendment that eliminated medical coverage for those employees who did not have 15 years of service as of December 31, 2009 and eliminated life insurance coverage for those employees retiring January 1, 2010 or later.

Per GASB Statement No. 45, *Accounting and Financial Reporting Employers for Postemployment Benefits Other Than Pensions*, for financial reporting purposes an actuarial valuation is required at least biennially for postretirement benefit plans with a total membership of 200 or more. Regional One Health's postretirement benefit plan has approximately 333 and 352 active members as of the last actuarial valuations of June 30, 2014 and June 30, 2013, respectively.

(a) Funding Policy

The contribution requirements of employees and the Plan are established and may be amended by Regional One Health's Board of Directors. Monthly contributions are required by retirees who are eligible for coverage. Regional One Health pays for costs in excess of required retiree contributions. These contributions are assumed to increase based on future medical plan cost increases. For fiscal 2014 and 2013, Regional One Health contributed approximately $1,452,000 and $1,297,000, respectively, net of retiree contributions, to the Plan. Plan members receiving benefits contributed approximately $199,000 in fiscal 2014 and $335,000 in fiscal 2013 through their required contributions. The following table summarizes the monthly contribution rates for the year beginning July 1, 2013:

	Retiree	Spouse
Pre-Medicare	$ 1,560	1,776
Pre-Medicare Eligible	672	1,596

(b) Annual OPEB Cost and Net OPEB Obligation

Regional One Health's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial

(Continued)

liabilities (or funding excess) over a period of 30 years. The following table shows the components of Regional One Health's annual OPEB cost for fiscal 2014 and 2013, the amounts actually contributed to the Plan, and changes in Regional One Health's net OPEB obligation:

		2014	2013
Annual required contributions and annual OPEB cost	$	1,290,462	1,296,634
Contributions made		1,452,462	1,296,634
Decrease in net OPEB obligation		(162,000)	—
Net OPEB obligation, beginning of year		912,000	912,000
Net OPEB obligation, end of year	$	750,000	912,000

(c) Three-Year Trend Information

Fiscal year ended		Annual OPEB cost	Percentage of annual OPEB cost contributed		Net OPEB obligation
June 30, 2014	$	1,290,462	112.6%	$	750,000
June 30, 2013		1,296,634	100.0		912,000
June 30, 2012		1,535,160	94.6		912,000

(d) Funded Status and Funding Progress – Required Supplementary Information

As of June 30, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was $20,050,142 resulting in an unfunded actuarial accrued liability (UAAL) of $20,050,142.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, as presented below as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(Continued)

(e) Schedule of Funding Progress – Required Supplementary Information

Analysis of the Plan's funding status follows:

Actuarial valuation date*	Actuarial value of plan assets	Actuarial accrued liability (AAL)	Plan assets less than AAL	Funded ratio	Covered payroll	AAL as of a percentage of covered payroll
July 1, 2013	$ —	20,050,142	20,050,142	—	$ 18,116,596	111.0
July 1, 2012	—	20,319,023	20,319,023	—	$ 18,693,833	109.0
July 1, 2011	—	24,469,273	24,469,273	—	20,476,034	120.0

* All inputs for valuation is provided as of beginning of the fiscal year being actuarially valuated.

(f) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 3% investment rate of return, which is a long-term rate of return on general account assets, and an annual inflation rate and annual healthcare cost trend rate of 5.7%, reducing each year until it reaches an annual rate of 4.5% in 2084. The UAAL is being amortized, using a level percentage of pay method, over a 30-year period under the Projected Unit Credit Method.

(14) Transactions with University of Tennessee Center for Health Services

Regional One Health contracts with University of Tennessee Center for Health Services (UTCHS) and University of Tennessee Medical Group (UTMG) to provide, among other things, Regional One Health's house staff, professional supervision of certain ancillary departments, and professional care for indigent patients. Regional One Health also provides its facilities as a teaching hospital for UTCHS.

Operating expenses include approximately $44.3 million in 2014 and $42.1 million in 2013 for all professional and other services provided by UTCHS/UTMG.

On October 1, 2014, Regional One Health and the University of Tennessee Health Science Center created a jointly governed physician's group known as the University of Tennessee Regional One Physicians (UTROP). The UTROP physician group will replace the existing relationship between Regional One Health and UTCHS and UTMG, and will provide Regional One Health's house staff, professional supervision of certain ancillary departments, and professional care for indigent patients.

(Continued)

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)
Notes to Basic Financial Statements
June 30, 2014 and 2013

(15) Risk Management

Regional One Health has a self-insurance program for professional and general liability risks, both with respect to claims incurred after the effective date of the program and claims incurred but not reported prior to that date. Regional One Health has not acquired any excess coverage for its self-insurance because Regional One Health is afforded sovereign immunity in accordance with applicable statutes. Presently, sovereign immunity limits losses to $300,000 per claim. Regional One Health has recorded an accrual for self-insurance losses totaling approximately $7.2 million and $7.5 million at June 30, 2014 and 2013, respectively.

Incurred losses identified through Regional One Health's incident reporting system and incurred but not reported losses are accrued based on estimates that incorporate Regional One Health's current inventory of reported claims and historical experience, as well as considerations such as the nature of each claim or incident, relevant trend factors, and advice from consulting actuaries.

The following is a summary of changes in Regional One Health's self-insurance liability for professional and general liability costs for fiscal 2014 and 2013:

		2014	2013
Balance at July 1	$	7,500,000	8,368,000
Provision for claims reported and claims incurred but not reported		251,090	(333,974)
Claims paid		(599,090)	(534,026)
		7,152,000	7,500,000
Amounts classified as accrued expenses and other current liabilities		(2,300,000)	(2,300,000)
Balance at June 30	$	4,852,000	5,200,000

Like many other businesses, Regional One Health is exposed to various risks of loss related to theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Claims settled through June 30, 2014 have not exceeded this commercial coverage in any of the three preceding years.

(Continued)

The following is a summary of changes in Regional One Health's self-insurance liability for employee health coverage (included in accrued expenses and other current liabilities in the accompanying balance sheets) for fiscal 2014 and 2013:

	2014	2013
Balance at July 1	$ 1,745,000	1,821,000
Claims reported and claims incurred but not reported	12,387,868	11,818,341
Claims paid	(12,306,868)	(11,894,341)
Balance at June 30	$ 1,826,000	1,745,000

(16) Commitments

Regional One Health has outstanding service contracts for management services, equipment maintenance, and blood supply services. Estimated future payments under the contracts follow:

2015	$ 2,756,760
2016	709,938
	$ 3,466,698

Expense under these contracts and other contracts was approximately $9.6 million and $9.2 million for the years ended June 30, 2014 and 2013, respectively.

(17) Leases

Regional One Health has entered into noncancelable operating leases for certain buildings and equipment. Rental expense for all operating leases was approximately $5.0 million and $4.9 million for the years ended June 30, 2014 and 2013, respectively. The future minimum payments under noncancelable operating leases as of June 30, 2014 follow:

2015	$ 2,272,054
2016	1,668,238
2017	1,772,111
	$ 5,712,403

(Continued)

(18) Health Care Industry Environment

Management at Regional One Health monitors economic conditions closely, both with respect to potential impacts on the healthcare provider industry and from a more general business perspective. While Regional One Health was able to achieve certain objectives of importance in the current economic environment, management recognizes that economic conditions may continue to impact Regional One Health in a number of ways, including (but not limited to) uncertainties associated with U.S. financial system reform and rising self-pay patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the impacts of the federal healthcare reform legislation, which was passed in the spring of 2010 and upheld by the Supreme Court in June 2012. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant (and potentially unprecedented) capital investment in healthcare information technology (HCIT)
- Continuing volatility in the state and federal government reimbursement programs
- Lack of clarity related to the health benefit exchange framework mandated by reform legislation, including important open questions regarding the constitutionality of the legislation, exchange reimbursement levels, changes in combined state/federal disproportionate share payments, and impact on the healthcare "demand curve" as the previously uninsured enter the insurance system
- Effective management of multiple major regulatory mandates, including achievement of meaningful use of HCIT and the transition to ICD-10
- Significant potential business model changes throughout the healthcare industry, including within the healthcare commercial payor industry.

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with changes in appropriations from the County and City of Memphis and others both currently in existence and, which may or may not arise in the future, could have a material adverse impact on Regional One Health's financial position and operating results.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

Schedule 1

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)
Combining Schedule – Statement of Net Position
June 30, 2014

Assets	Shelby County Health Care Corporation	Regional Med Extended Care Hospital LLC	Regional One Health Foundation	Shelby County Health Care Properties, Inc.	Regional One Properties, Inc.	Eliminations	Combined
Assets:							
Cash and cash equivalents	$ 8,961,737	681,070	339,026	41,400	—	—	10,023,233
Investments	120,611,635	—	3,186,829	—	—	—	123,798,464
Patient accounts receivable, net	46,614,476	1,288,071	—	—	—	—	47,902,547
Other receivables	12,620,961	—	1,101,775	149,003	—	(1,096,338)	12,775,401
Other current assets	4,987,208	12,500	—	1,249,694	—	—	6,249,402
Restricted cash	—	—	—	542,310	—	—	542,310
Restricted investments	—	—	3,585,842	—	—	—	3,585,842
Investment in joint ventures	992,607	—	—	—	—	—	992,607
Notes receivable	19,221,600	—	—	—	—	—	19,221,600
Capital assets, net	56,496,015	—	—	40,126,777	5,726,371	—	102,349,163
Total assets	$ 270,506,239	1,981,641	8,213,472	42,109,184	5,726,371	(1,096,338)	327,440,569
Liabilities and Net Position							
Liabilities:							
Accounts payable	$ 7,520,486	1,557	1,598,044	—	—	(1,096,338)	8,023,749
Accrued expenses and other current liabilities	38,721,071	1,173,406	—	152,025	—	—	40,046,502
Accrued professional and general liability costs	4,852,000	—	—	—	—	—	4,852,000
Net postemployment benefit obligation	750,000	—	—	—	—	—	750,000
Notes payable	—	—	—	26,550,000	—	—	26,550,000
Total liabilities	51,843,557	1,174,963	1,598,044	26,702,025	—	(1,096,338)	80,222,251
Net position:							
Invested in capital assets, net of related debt	56,496,014	—	—	13,576,778	5,726,371	—	75,799,163
Restricted for:							
Capital assets	—	—	2,670,763	—	—	—	2,670,763
Indigent care	—	—	915,079	—	—	—	915,079
Notes payable	—	—	—	542,310	—	—	542,310
Unrestricted	162,166,668	806,678	3,029,586	1,288,071	—	—	167,291,003
Total net position	218,662,682	806,678	6,615,428	15,407,159	5,726,371	—	247,218,318
Commitments and contingencies							
Total liabilities and net position	$ 270,506,239	1,981,641	8,213,472	42,109,184	5,726,371	(1,096,338)	327,440,569

See accompanying independent auditors' report.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

Schedule 2

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)
Combining Schedule – Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2014

	Shelby County Health Care Corporation	Regional Med Extended Care Hospital LLC	Regional One Health Foundation	Shelby County Health Care Properties, Inc.	Regional One Properties, Inc.	Eliminations	Combined
Operating revenues:							
Net patient service revenue	$ 301,205,571	1,974,579	—	—	—	—	303,180,150
Other revenue	22,085,884	10	4,282,788	238,400	—	(3,659,144)	22,947,938
Total operating revenues	323,291,455	1,974,589	4,282,788	238,400	—	(3,659,144)	326,128,088
Operating expenses:							
Salaries and benefits	158,793,994	2,122,634	—	—	—	—	160,916,628
Supplies and services	75,464,035	562,554	—	—	—	—	76,026,589
Physician and professional fees	27,401,506	222,629	—	—	—	—	27,624,135
Purchased medical services	26,093,695	—	—	—	—	—	26,093,695
Plant operations	13,273,634	92,785	—	—	—	—	13,366,419
Insurance	2,319,323	14,093	—	—	—	—	2,333,416
Administrative and general	33,086,082	1,056,125	—	209,646	—	—	34,351,853
Community services	—	—	4,679,490	—	—	(3,659,144)	1,020,346
Depreciation and amortization	14,906,442	—	—	1,424,284	—	—	16,330,726
Total operating expenses	351,338,711	4,070,820	4,679,490	1,633,930	—	(3,659,144)	358,063,807
Operating loss	(28,047,256)	(2,096,231)	(396,702)	(1,395,530)	—	—	(31,935,719)
Nonoperating revenues (expenses):							
Interest expense	—	—	—	(212,400)	—	—	(212,400)
Investment income	4,392,806	—	725,744	191	—	—	5,118,741
Appropriations from Shelby County	26,816,001	—	—	—	—	—	26,816,001
Other	4,195,408	—	—	—	—	—	4,195,408
Transfers in (out)	(25,644,178)	2,902,909	—	17,014,898	5,726,371	—	—
Total nonoperating revenues (expenses), net	9,760,037	2,902,909	725,744	16,802,689	5,726,371	—	35,917,750
Increase (decrease) in net position	(18,287,219)	806,678	329,042	15,407,159	5,726,371	—	3,982,031
Net position, beginning of year	236,949,901	—	6,286,386	—	—	—	243,236,287
Net position, end of year	$ 218,662,682	806,678	6,615,428	15,407,159	5,726,371	—	247,218,318

See accompanying independent auditors' report.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

Schedule 3

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)
Combining Schedule – Statement of Cash Flows
Year ended June 30, 2014

	Shelby County Health Care Corporation	Regional Med Extended Care Hospital LLC	Regional One Health Foundation	Shelby County Health Care Properties, Inc.	Regional One Properties, Inc.	Combined
Cash flows from operating activities:						
Receipts from and on behalf of patients and third-party payers	$ 300,480,523	686,508	—	—	—	301,167,031
Other cash receipts	18,098,500	10	3,239,263	89,397	—	21,427,170
Payments to suppliers	(173,327,670)	(1,959,129)	(2,601,716)	(1,444,190)	—	(179,332,705)
Payments to employees and related benefits	(154,735,434)	(949,228)	(496,086)	—	—	(156,180,748)
Net cash (used in) provided by operating activities	(9,484,081)	(2,221,839)	141,461	(1,354,793)	—	(12,919,252)
Cash flows from noncapital financing activity:						
Appropriations received from Shelby County	26,816,001	—	—	—	—	26,816,001
Net cash provided by noncapital financing activity	26,816,001	—	—	—	—	26,816,001
Cash flows from capital and related financing activities:						
Capital expenditures	(9,276,695)	2,902,909	—	(24,536,163)	—	(30,909,949)
Proceeds from new market tax credit	—	—	—	26,550,000	—	26,550,000
Proceeds from pledges	3,195,408	—	—	—	—	3,195,408
Proceeds from sale of capital assets	—	—	—		—	—
Interest payments	—	—	—	(75,525)	—	(75,525)
Net cash used in (provided by) capital and related financing activities	(6,081,287)	2,902,909	—	1,938,312	—	(1,240,066)
Cash flows from investing activities:						
Proceeds from issuance of notes receivable	(19,221,600)	—	—	—	—	(19,221,600)
Purchases of investments	(178,056,537)	—	(1,453,232)	—	—	(179,509,769)
Proceeds from sale of investments	174,706,702	—	1,296,026	—	—	176,002,728
Distributions received from joint venture	(992,607)	—	—	—	—	(992,607)
Investment income proceeds	6,009,051	—	149,799	191	—	6,159,041
Net cash used in investing activities	(17,554,991)	—	(7,407)	191	—	(17,562,207)
Net increase (decrease) in cash and cash equivalents	(6,304,358)	681,070	134,054	583,710	—	(4,905,524)
Cash and cash equivalents, beginning of year	15,266,095	—	204,972	—	—	15,471,067
Cash and cash equivalents, end of year	$ 8,961,737	681,070	339,026	583,710	—	10,565,543

See accompanying independent auditors' report.

Schedule 4

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)
Roster of Management Officials and Board Members
June 30, 2014
(Unaudited)

Management Officials

Reginald Coopwood, M.D., President and CEO

Pam Castleman, MSN, Senior Vice President/Chief Nursing Officer

Susan Cooper, RN, MSN, FAAN, Senior Vice President/Chief Integration Officer

Carl Getto, M.D., Executive Vice President/Chief Medical Officer

Tammie Ritchey, CFRE, Vice President of Development/Foundation Executive Director

Robert Sumter, Ph.D., Executive Vice President/COO/CIO

Tish Towns, FACHE, Senior Vice President, External Relations

Rick Wagers, Senior Executive Vice President/CFO

Monica Wharton, Senior Vice President/Chief Legal Counsel

Board Members

Mrs. Pam Brown

James Freeman, M.D.

Brenda Hardy, M.D.

Scott McCormick

Max Ostner

Melvin Burgess

Phil Shannon

Anthony Tate

Mr. John Vergos

David T. Popwell

Brian W. Ellis

Scot Lenoir

See accompanying independent auditors' report.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

16. Section C, Economic Feasibility, Item 4 (Historical Data Chart and Projected Data Chart)

Please also provide a Historical Data Chart for BMH-Memphis showing revenues and expenses for all patient care services provided by the hospital during the fiscal year periods.

Response:
Charts are provided on the following pages.

Please provide a combined Projected Data Chart for both the main BMH emergency department and the proposed satellite ED.

Response:
Charts are provided on the following pages. On the BMH ED projected data chart includes inpatient and outpatient emergency services that are provided in the emergency department. Charges for ancillary services are not reflected.

The project costs charges for the satellite locations reflect all services provided at that location including ancillary services such as x-ray, CT, and lab.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

HISTORICAL DATA CHART BMH Memphis

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in OCT (Month)

	Year 2012	Year 2013	Year 2014
A. Utilization Data (Discharges)	25,440	24,509	24,737
B. Revenue from Services to Patients			
1. Inpatient Services	$ 1,168,575,509	$ 1,281,308,906	$ 1,294,127,663
2. Outpatient Services	$ 561,989,211	$ 618,546,518	$ 654,272,669
3. Emergency Serivces	$ 50,145,402	$ 60,656,034	$ 62,003,106
4. Other Operating Revenue (specify) cafeteria, gift shop, etc.	$ 16,024,049	$ 16,994,124	$ 16,698,984
Gross Operating Revenue	$ 1,796,734,170	$ 1,977,505,582	$ 2,027,102,422
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	$ 1,172,840,209	$ 1,355,368,474	$ 1,424,742,936
2. Provision for Charity Care	$ 42,466,417	$ 54,521,298	$ 54,578,785
3. Provision for Bad Debt	$ 57,084,980	$ 63,313,739	$ 73,607,837
Total Deductions	$ 1,272,391,605	$ 1,473,203,512	$ 1,552,929,558
NET OPERATING REVENUE	$ 524,342,565	$ 504,302,070	$ 474,172,864
D. Operating Expenses			
1. Salaries and Wages	$ 209,291,052	$ 201,394,665	$ 196,930,371
2. Physician's Salaries and Wages			
3. Supplies	$ 135,564,667	$ 136,328,976	$ 131,176,151
4. Taxes	$ 1,369,438	$ 1,355,226	$ 1,817,757
5. Depreciation	$ 24,031,334	$ 23,237,042	$ 23,276,262
6. Rent	$ 956,752	$ 1,059,939	$ 1,073,096
7. Interest, other than Capital	$ 539	$ 490	$ 490
8. Management Fees:			
a. Fees to Affilitates	$ 52,278,908	$ 59,039,856	$ 77,132,582
b. Fees to Non-Affilitates			
9. Other Expenses (Specify on separate page)	$ 83,426,115	$ 72,962,996	$ 83,535,327
Total Operating Expenses	$ 506,918,804	$ 495,379,188	$ 514,942,035
E. Other Revenue (Expenses) - Net (Specify)	$ 7,395,042	$ 9,193,074	$ 7,121,399
NET OPERATING INCOME (LOSS)	$ 24,818,802	$ 18,115,956	$ (33,647,773)
F. Capital Expenditures			
1. Retirement of Principal	$ 15,235,000	$ 16,100,000	$ 17,170,000
2. Interest	$ 848,550	$ 763,707	$ 650,464
Total Capital Expenditures	$ 16,083,550	$ 16,863,707	$ 17,820,464
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ 8,735,252	$ 1,252,249	$ (51,468,237)

SUPPLEMENTAL #1
August 31, 2015
10:16 am

HISTORICAL DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 2012	Year 2013	Year 2014
Purchased Services	$ 14,696,553	$ 12,203,028	$ 11,104,823
Insurance Expense	$ 3,611,030	$ (1,831,936)	$ 255,733
Utilities	$ 5,955,675	$ 5,792,233	$ 5,726,739
Repairs and Maintenance	$ 9,128,336	$ 10,536,853	$ 10,332,941
Professional Fees:	$ 23,624,629	$ 24,106,987	$ 26,355,046
Medicaid Assessment	$ 22,240,519	$ 15,178,966	$ 12,473,573
Misc	$ 4,169,373	$ 6,976,863	$ 7,011,151
Loss on Asset Impairment			$ 10,275,321
Total Other Expenses	**$ 83,426,115**	**$ 72,962,996**	**$ 83,535,327**

SUPPLEMENTAL #1
August 31, 2015
10:16 am

PROJECTED DATA CHART MEM ED

Give information for the last two (2) years following the completion of this proposal.
The fiscal year begins in Oct (Month)

	Year 1	Year 2
A. Utilization Data (visits)	57,086	58,034
B. Revenue from Services to Patients		
1. Inpatient Services	$ 45,196,928	$ 47,931,342
2. Outpatient Services	$ 64,909,360	$ 69,517,925
3. Emergency Services	$ 7,200	$ 7,500
4. Other Operating Revenue (specify) cafeteria		
Gross Operating Revenue	$ 110,113,488	$ 117,456,767
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	$ 95,011,271	$ 101,780,022
2. Provision for Charity Care		
3. Provision for Bad Debt		
Total Deductions	$ 95,011,271	$ 101,780,022
NET OPERATING REVENUE	$ 15,102,217	$ 15,676,745
D. Operating Expenses		
1. Salaries and Wages	$ 7,551,773	$ 7,830,758
2. Physician's Salaries and Wages	$ 1,312,848	$ 1,331,380
3. Supplies		
4. Taxes		
5. Depreciation		
6. Rent		
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affilitates	$ 279,220	$ 280,000
b. Fees to Non-Affilitates		
9. Other Expenses (Specify on separate page)	$ 50,877	$ 53,000
Total Operating Expenses	$ 9,194,718	$ 9,495,138
E. Other Revenue (Expenses) - Net (Specify)		
NET OPERATING INCOME (LOSS)	$ 5,907,499	$ 6,181,607
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	$ -	$ -
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ 5,907,499	$ 6,181,607

SUPPLEMENTAL #1
August 31, 2015
10:16 am

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 1	Year 2
Utilities	980	1,000
Repairs and Maintenance	25,060	27,000
Operating Expenses	24,837	25,000
Total Other Expenses	50,877	53,000

SUPPLEMENTAL #1
August 31, 2015
10:16 am

PROJECTED DATA CHART MEM ED + BOTH SATELLITE EDs COMBINED

Give information for the last two (2) years following the completion of this proposal.
The fiscal year begins in Oct (Month)

	Year 1	Year 2
A. Utilization Data (visits)	67,190	72,639
B. Revenue from Services to Patients		
1. Inpatient Services	$ 45,196,928	$ 47,931,342
2. Outpatient Services	$ -	$ -
3. Emergency Services	$ 104,526,204	$ 127,609,205
4. Other Operating Revenue (specify) cafeteria	$ 7,200	$ 7,500
Gross Operating Revenue	$ 149,730,332	$ 175,548,047
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	$ 117,947,200	$ 137,777,269
2. Provision for Charity Care	$ 285,537	$ 127,786
3. Provision for Bad Debt	$ 7,475,818	$ 9,821,410
Total Deductions	$ 125,708,555	$ 147,726,465
NET OPERATING REVENUE	$ 24,021,777	$ 27,821,582
D. Operating Expenses		
1. Salaries and Wages	$ 12,224,563	$ 13,270,834
2. Physician's Salaries and Wages	$ 2,650,782	$ 3,153,105
3. Supplies		
4. Taxes	$ 559,725	$ 559,725
5. Depreciation	$ 1,877,458	$ 1,912,458
6. Rent		
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affilitates	$ 725,198	$ 887,242
b. Fees to Non-Affilitates	$ 146,999	$ 189,688
9. Other Expenses (Specify on separate page)	$ 870,965	$ 893,405
Total Operating Expenses	$ 19,055,690	$ 20,866,457
E. Other Revenue (Expenses) - Net (Specify)		
NET OPERATING INCOME (LOSS)	$ 4,966,087	$ 6,955,125
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures		
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ 4,966,087	$ 6,955,125

SUPPLEMENTAL #1
August 31, 2015
10:16 am

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 1	Year 2
Utilities	384,126	395,277
Repairs and Maintenance	417,405	427,192
Operating Expenses	69,434	70,936
Total Other Expenses	870,965	893,405

SUPPLEMENTAL #1
August 31, 2015
10:16 am

17. Section C, Economic Feasibility, Item 5 and 6

The average gross charge, average deduction from gross operating revenue and average net charge of the proposed satellite ED is noted. Please also provide a table that shows the combined average gross charge, deduction and net charge charges for the main ED and the proposed satellite ED.

Response:

	MEMPHIS ED		COMBINED	
	yr 1	yr 2	yr 1	yr 2
Gross Charge	$ 1,928.91	$ 2,023.93	$ 2,228.46	$ 2,416.72
Average Deduction	$ 1,664.35	$ 1,753.80	$ 1,870.94	$ 2,033.71
Average Net Charge	$ 264.55	$ 270.13	$ 357.52	$ 383.01

SUPPLEMENTAL #1
August 31, 2015
10:16 am

18. Section C, Economic Feasibility, Item 9

The payor mix table for Year 1 of the project is noted. However, the total gross revenue amount in the chart is different than the amount shown in the Projected Data Chart. Please clarify.

In your response, please complete the payor mix table below.

Applicant's Historical and Projected Payor Mix

Payor Source	BMH Main ED Gross Operating Revenue 2014	As a % of Gross Operating Revenue 2014	BMH Main ED Gross Operating Revenue Year 1	Kirby Satellite ED Gross Operating Revenue Year 1	Canada Satellite ED Gross Operating Revenue Year 1	Total gross Operating Revenue Year 1	as a % of Gross Operating Revenue
Medicare	$28,536,936.84	33%	$ 36,007,110.58	$ 6,102,521.25	$ 2,835,801.00	$44,945,432.83	30.02%
TennCare	$17,104,708.32	20%	$ 21,582,243.65	$ 7,286,110.44	$ 4,316,572.24	$33,184,926.33	22.16%
Managed Care	Incl in commercial		Incl in commercial	Incl in Commercial	Incl in Commercial		
Commercial	$29,584,163.88	34%	$ 37,328,472.43	$ 4,683,598.54	$ 6,528,629.38	$48,540,700.35	32.42%
Self-Pay	$ 2,043,110.96	14%	$ 15,195,661.34	$ 4,750,507.09	$2,827,528.54	$22,773,696.97	15.21%
Other		0%		$ 249,176.67	$ 36,398.85	$ 285,575.52	0.19%
Total	$87,268,920.00	100%	$110,113,488.00	$23,071,914.00	$16,544,930.00	$149,730,332.00	100.00%

18. Section C, Economic Feasibility, Item 10

Review of the audited Consolidated Statements in the attachment for the Year ended June 2014 and June 2013 revealed differences in operating revenues, expenses and net operating income (NOI) from the entries in the Historical Data Chart for both 2014 and 2013. Please explain.

Please clarify the financial feasibility of the project when the audited statements reflect unfavorable NOI of $1,204,352 in 2014 and $3,991,923 available from cash and cash equivalents.

Response:
The Historical Data chart in the original application was for the BMH ER only. The Historical Information for BMH-Memphis follows this page. The project's feasibility is explained by the letter from Don Pounds in the initial CON application. BMH has funds available from Baptist Memorial Health Care Corporation.

The financial statements included in the application were for the period ending Sept 30.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

19. Section C, Economic Feasibility, Item 11

The responses to Items 11.a and 11.b are noted. Please include comment that identifies and compares the costs of both proposed BMH satellite ED projects to the costs of the expanding the existing emergency departments on the BMH and/or Regional One Health hospital campuses.

Response:
The site analysis for expanding the BMH facility in a new direction has not been completed. That possibility does not address the goal of moving services closer to patients in their communities. The most recent expansion of the Emergency Department pushed the footprint of the BMH-Memphis ED facility as close to an adjacent neighborhood as possible. Development in other directions has not been explored because of infrastructure changes and building access complications

SUPPLEMENTAL #1
August 31, 2015
10:16 am

20. Section C, Orderly Development, Item 1.

Please define the Emergency Medical Treatment and Labor Act (EMTALA).

Response:
EMTALA

In the case of a hospital that has an emergency department, if any individual (whether or not eligible for Medicare benefits and regardless of ability to pay) comes by him or herself or with another person to the emergency department and a request is made on the individual's behalf for examination or treatment of a medical condition by qualified medical personnel (as determined by the hospital in its rules and regulations), the hospital must provide for an appropriate medical screening examination within the capability of the hospital's emergency department, including ancillary services routinely available to the emergency departments, to determine whether or not an emergency medical condition exists. The examinations must be conducted by individuals determined qualified by hospital bylaws, rules and regulations and who meet the requirements of Sec. 482.59 concerning emergency services personnel and direction.

Please indicate where emergency OB patients will be referred for treatment from the proposed satellite facility. Also, please clarify if the OB patients would be admitted directly to the receiving facility, or would need to admit through the receiving hospital's ED.

Response:
Baptist Memorial Hospital for Women is located in east Memphis on North Humphreys Boulevard and Regional One Health is located in the downtown area of Memphis. Both Baptist Memorial Hospital for Women and Regional One Health could receive patients through the emergency department and move directly through to the Labor and Delivery department for further medical screening examination, stabilization and treatment by qualified medical personnel.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

Section C, Orderly Development, Item 2.

Please explain the difference between an Urgent Care Clinic and a Satellite ED. Please include hours of operation, the patient costs (including copay) for each service, and any CPT code overlap. In your response, please complete the following chart indicating if the following conditions can be treated at an urgent care, hospital emergency room, or satellite ER.

Response:

Baptist Minor Medical Centers provide convenient alternatives to emergency rooms and delayed doctor appointments. Similar to walk-in centers or after-hour clinics, all Baptist Minor Meds are open seven days a week and no appointment is necessary. Baptist Minor Medical clinics feature X-ray capabilities, in-house labs, EKGs, and a qualified staff that can attend to your urgent health care needs. Typical treatments are for an injury, a fever, rash, or more.

An emergency department will triage a patient upon entry, and is open 24 hours a day 7 days a week with access to sophisticated complex equipment with capability beyond lower level urgent care issues.

The same CPT codes may be used for the urgent care clinic setting and the emergency department setting. Primary difference is the urgent care setting will bill globally because the physicians professional charges and the facility's technical component are provided. The emergency department will bill the technical component, physicians will bill separately. Some examples are provided below:

CPT	Description	ED Price	Minor Med/Urgent Care Price
		Technical	Global
10060	HC ED 10060-DRAINAGE OF SKIN ABSCESS	$158.00	332.00
10061	HC ED 10061-DRAINAGE OF SKIN ABSCESS	$158.00	326.00
10080	HC ED 10080-DRAINAGE OF PILONIDAL CYST	$158.00	210.00
10160	HC ED 10160-PUNCTURE DRAINAGE OF LESION	$197.00	342.00
11042	HC ED 11042-DEBRIDE SQ TISS 1ST 20 SQCM	$268.00	570.00
12001	HC ED 12001-REPAIR SPERFICIAL WOUND	$168.00	490.00
12002	HC ED 12002-REPAIR SUPERFICIAL WOUND	$168.00	515.00
12004	HC ED 12004-REPAIR SUPERFICIAL WOUND	$168.00	594.00
12005	HC ED 12005-REPAIR SUPERFICIAL WOUND	$168.00	746.00
12006	HC ED 12006-REPAIR SUPERFICIAL WOUND	$187.00	764.00

SUPPLEMENTAL #1
August 31, 2015
10:16 am

Conditions Treated by Urgent Care and Applicant

	Baptist Minor Med	Walk-in Clinic	Walgreens	Primary Care
Acute Care (cold and flu symptoms, fever, sinus infections, etc.)	X	X	X	X
Chronic Medical Conditions (Treatment and Diagnosis)			X	X
Child Immunizations			X (Age 7 & over)	X
Adult Immunizations			X	X
Annual Wellness Exam			X	X
Well Woman Exam			X	X
Annual Physicals				X
Employment Physicals	X		X	X
Sports Physicals	X		X	X
Flu Shots	X		X	X
Skin Conditions/Rashes	X			X
Wound Care	X			X
Worker's Comp	X		X	X
Drug testing/screenings	X		X	X*
DOT Exam	X			X*
Disability Exams			X	X
Sprains and Strains	X	X	X	X
Muscles aches and pains	X		X	
Laceration Care and Treatment	X			
UTI	X	X	X	
ENT Infections	X	X	X	X
GI Distress	X		X	X
Allergies, Asthma	X	X	X	X
Lab Testing	X	X		X
X-ray	X	X		X

*Not all primary care practices offer these services.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

21. Section C, Orderly Development, Item 3 and Item 4

The comments reflect that Team Health has the ability to fulfill emergency department staffing needs. However, more information would be appreciated. Please provide a brief overview about Team Health including the following: (a) nature and scope of contractual relationship with BMH, (b) Team Health services, and (c) requirements related to medical staff privileges.

Response:
TeamHealth is the organization that is providing professional physician services for Emergency Departments. TeamHealth typically will staff 1 physician for emergency department with volumes up to 14,000 visits annually. Advance practitioners may join physicians. On average, physician staffing will vary based on the number of patients expected per adjusted hour.

All TeamHealth physicians are credentialed to practice at Baptist Memorial Health Care facilities.

Please complete the following chart showing the FTE staffing plan for the proposed satellite ED:

Applicant's Projected Staffing of Proposed Satellite ED by Shift

Position	7-3 # FTEs	3-11 # FTEs	11-7 # FTEs
Emergency Medicine Physician	1	1	1
Director	1		
Manager	1		
RN	2	2	2
Respiratory Therapist	1.5	1	1
Lab Tech	2.5	2	1
Ultrasound Tech (12 hr shift)	1	1	
X-Ray/CT Tech (12 hr shift)	2.5	2.5	
MM Tech			
Other (MAs)	1	1	
Total	13.5	10.5	5

Please also clarify if there will be security available at the proposed satellite ER. If so, please identify in the table above. If security personnel are not included in the applicant's staffing plan, please explain.

Response:
Security will be provided as discussed in response to a previous item. The staffing plan was provided for medical personnel only.

SUPPLEMENTAL #1
August 31, 2015
10:16 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF SHELBY

NAME OF FACILITY: CN1508-037 BAPTIST MEMORIAL HOSPITAL

I, GREGORY M DUCKETT, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 10th day of August, 2015 witness my hand at office in the County of Shelby, State of Tennessee.

NOTARY PUBLIC

My commission expires My Comm. Exp. August 21, 2016

PAULETTE E. KEARNEY
STATE OF TENNESSEE NOTARY PUBLIC
SHELBY COUNTY

HF-0043

Revised 7/02

LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal (Name of Newspaper) which is a newspaper of general circulation in Shelby and other counties in (County), Tennessee, on or before August 10 (Month / day), 2015 (Year), for one day.

==========

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that: Baptist Memorial Hospital, a Corporation owned by itself, intends to file an application for a Certificate of Need for the construction and establishment of a satellite Emergency Department to be operated under the license of Baptist Memorial Hospital. The proposed new facility will have 10 treatment rooms and will include various supportive service such as CT, X-Ray and ultra-sound. Baptist Memorial Hospital is located at 6019 Walnut Grove Road, Memphis, Shelby County, Tennessee 38120. The building containing the proposed satellite emergency facility and other community-based health services will be located near the intersection of Highway 64 and Canada Road in Lakeland, TN, 38002. This project does not involve additional inpatient beds, major medical services or initiation of new services for which a certificate of need is required. The total project cost for purposes of the certificate of need application is estimated at $18,718,029.

The anticipated date of filing the application is: August 14, 2015

The contact person for this project is Arthur Maples (Contact Name) Director Strategic Analysis (Title)

who may be reached at: Baptist Memorial Health Care Corporation (Company Name) 350 N Humphreys Blvd (Address)

Memphis (City) TN (State) 38120 (Zip Code) 901 / 227-4137 (Area Code / Phone Number)

Arthur Maples (Signature) 8/7/2015 (Date) arthur.maples@bmhcc.org (E-mail Address)

==========

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address: Health Services and Development Agency
Andrew Jackson Building
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

==========

City of Bartlett

A. Keith McDonald, Mayor

November 5, 2015

Ms. Melanie Hill
Executive Director
Health Services and Development Agency
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

RE: Baptist Memorial Hospital Satellite ED, LAKELAND, CN1508-037

Dear Ms. Hill:

I am writing in opposition to the above referenced project. As an elected official serving as mayor, with 702 employees, I am very familiar with the ED services available in this area.

Saint Francis Hospital - Bartlett currently provides services in this area. They received a CON in the past few years to expand the hospital and its emergency department, which was recently completed. SFH-Bartlett provides excellent care to the residents of their service area, which includes the area in which this ED is proposed. A satellite ED located so close to the existing SFH-Bartlett hospital campus will not be in the best interest of the patients in our community. Such services are duplicative as SFH-Bartlett has significant capacity to continue to meet the ED needs of our community for the foreseeable future.

SFH-Bartlett opened a little over ten years ago and it has been serving the patients of this community ever since. It has been an asset to our community. To allow a free-standing ED so close to the Bartlett hospital, will not provide any services which are not already available a very short distance away, and may threaten the ability of SFH-Bartlett to continue to maintain the high quality emergent and acute care services for which it is known.

For the citizens of the Bartlett and Northeast Shelby County, I urge the agency to reject the above project.

Sincerely,

A. Keith McDonald

A. Keith McDonald, Mayor
City of Bartlett

TRAUGER & TUKE
ATTORNEYS AT LAW
THE SOUTHERN TURF BUILDING
222 FOURTH AVENUE NORTH
NASHVILLE, TENNESSEE 37219-2117
TELEPHONE (615) 256-8585
TELECOPIER (615) 256-7444

November 2, 2015

VIA HAND DELIVERY and FACSIMILE (741-9884)

Ms. Melanie M. Hill
Executive Director
Tennessee Health Services
and Development Agency
502 Deaderick Street, 9th Floor
Nashville, TN 37243

RE: Baptist Memorial Satellite ED, Lakeland
Certificate of Need Application No. CN1508-037

Dear Ms. Hill:

By this letter, Methodist Healthcare opposes the referenced certificate of need application of Baptist Memorial Satellite ED, Lakeland, CN1508-037, on the grounds that the application does not meet the statutory criteria for a certificate of need.

Thank you for your assistance.

Very truly yours,

Byron R. Trauger

BRT/kmn

cc: Arthur Maples, Director of Strategic Analysis
Dan H. Elrod, Esquire

waller

Waller Lansden Dortch & Davis, LLP
511 Union Street, Suite 2700
P.O. Box 198966
Nashville, TN 37219-8966

615.244.6380 main
615.244.6804 fax
wallerlaw.com

Kim Harvey Looney
615.850.8722 direct
kim.looney@wallerlaw.com

October 30, 2015

VIA HAND DELIVERY

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building
9th Floor
502 Deaderick Street
Nashville TN 37243

Re: Baptist Memorial Hospital Satellite ED-Lakeland - CN1508-037

Dear Melanie:

This is to provide official notice that our client, Saint Francis Hospital, wishes to oppose the application of Baptist Memorial Hospital CN1508-037 for the establishment of a freestanding emergency department in Lakeland, Tennessee. This application will be heard at the November meeting. Representatives for Saint Francis Hospital will be present at the hearing.

Saint Francis respectfully requests that the HSDA deny this request. If you have any questions, please give contact me at 615-850-8722 or by email at Kim.Looney@wallerlaw.com

Sincerely,

Kim H. Looney by Neil B. Krugman

Kim Harvey Looney

KHL:lag
Cc: Arthur Maples (Baptist Memorial Hospital)
Dan H. Elrod, Esq.
David Archer (Saint Francis Hospital)

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954

DATE: September 30, 2015

APPLICANT: Baptist Memorial Satellite ED Lakeland
Intersection Highway 64 and Canada Road
Lakeland, Tennessee 38002

CN1508-037

CONTACT PERSON: Arthur Maples
Baptist Memorial Health Care Corporation
350 Humphreys Boulevard
Memphis, Tennessee 38120

COST: $13,016,877

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

Baptist Memorial Hospital, located at 6019 Walnut Grove Road, Memphis (Shelby County), Tennessee 38120, seeks Certificate of Need (CON) approval for the construction and initiation of a satellite Emergency Department (ED) to be operated under the license of Baptist Memorial Hospital. The proposed new facility will have 10 treatment rooms and will include various supportive services such as CT, X-Ray, and ultra-sound. The building containing the proposed ED satellite and other community-based health services will be located near the intersection of Highway 64 and Canada Road in Lakeland, Tennessee 38002. This project does not involve additional impatient beds, major medical services, or initiation of new services that require CON.

A similar CON application (CN1508-036) for another ED facility is being submitted by the same applicant for this review cycle.
The project involves 25,698 square feet of new construction at a cost of $6,731,379 or $261.94 per square foot.

This project is a Joint Operating Agreement (JOA) between Baptist Memorial Hospital (BMH) and Regional One Health (ROH). The JOA establishes an arrangement between two organizations to channel best practices into a new facility that will operate under the license of BMH. The patients of both systems will benefit from having access to new ED capacity. Under the JOA, both systems will retain their separate identities while joining together financially and through operational collaboration to provide services to patients in a single setting that is convenient to the patients, both geographically and in terms of timely access. BMH will initially own 100% of the LLC, but the ultimate ownership will be 60% by BMH and 40% by ROH.

The total project Market Value Construction cost is $13,016,877 and will be funded through cash and other liquid assets as states in letters from BMH's and ROH's Chief Financial Officer in Economic Feasibility 2 (E). The Lease Developer amount is $18,718,029.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

NEED:
The applicant's service area is defined by zip codes 38135, 38133, 38016, 38134, 38002, 38028, 38068, 38049, 38018, 38060, and 38076. The following chart provides the Shelby County population for 2015 projected to 2019.

County	2015 Population	2019 Population	% of Increase/ (Decrease)
Shelby	953,899	975,626	2.3%

Tennessee Population Projections 2000-2020, 2015 Revised UTCBER, Tennessee Department of Health

The ED, which is the core service, will be joined with process improvements to provide both traditional and innovative health services such as telemedicine capabilities, which provide the means for consultations with specialists in a setting, designed for the special needs of the population closer to their patient residences, with ED visit results tied directly to medical homes. Episodic patient ED needs of patients with chronic disease who may be in a nursing home or have home care can be attended more conveniently closer to the patient's home with potential access to electronic records.

The JOA between BMH and ROH accomplishes individual and collective goals for each party. For BMH, the need for additional ED capacity can best be accommodated by satellite facilities. The main ED on the campus of BMH-Lakeland has steadily increased in visits and has reached the capacity anticipated when it expanded in 2011. The main ED has been expanded to the extent possible on the land it has available. The applicant reports the expanded emergency room reached 62,451 visits in 2014.

For ROH, this project will enhance its continuing efforts to ensure services are more convenient for the patients it serves. In addition, ROH already has an extremely active Trauma Center and ED at its downtown campus, and the establishment of this ED will help alleviate the high utilization there. The establishment of the satellite ED's will help provided more efficient throughput and higher patient satisfaction.

Both ROH and BMH will benefit through co-branding their existing excellent services with a respected partner in the growing Memphis Metropolitan Statistical Area. The applicant states that if this is approved and successful, these ED projects may serve as a model for additional collaborations between the two entities.

Other functions of the proposed ED satellite facility will include accommodating group or individual instructional meetings or web based broadcasts on topics such as nutrition and diabetic counseling; community screenings, etc.

According to the applicant, the total project is a collaborative initiative to put new capabilities into practice and to address the need for additional capacity to meet demand for patient convenience with the rapidly changing healthcare environment. Patients want shorter wait times, and easier access.

Utilization 2011-2013

	ER Rooms	2011 Presented	2011 Treated	2012 Presented	2012 Treated	2013 Presented	2013 Treated
Methodist University	38	56,186	56,725	63,264	60,902	63,729	62,587
Methodist South	37	61,745	59,346	65,711	62,659	64,774	62,300
Methodist North	43	61,744	59,726	68,961	66,862	69,864	69,062

Methodist Germantown	38	49,730	48,109	55,269	53,937	55,708	54,914
Regional One	51	48,189	45,189	48,985	48,985	55,963	55,963
Baptist Collierville	13	16,847	16,602	17,735	17,735	16,714	16,714
Baptist Memphis	52	56,862	56,862	58,333	58,333	60,274	60,274
St. Francis-Park	38	39,853	39,853	42,227	40,143	43,989	45,020
St. Francis-Bartlett	30	33,814	32,616	36,561	35,579	37,129	36,001
Delta Medical Center	13	25,511	24,350	27,307	24,385	26,935	26,459
Total	**353**	**450,481**	**439,378**	**484,353**	**469,520**	**495,079**	**489,294**

Joint Annual Reports of Hospitals, 2011, 2012, 2013, Tennessee Department of Health, Division of Policy, Planning, and Assessment

2013 Emergency Room Utilization

Facility	ER Room	2013 Total	Average Per Room
Methodist University	38	62,587	1,647
Methodist South	37	62,300	1,683
Methodist North	43	69,062	1,606
Methodist Germantown	38	54,914	1,445
Regional One	51	55,963	1,097
Baptist Collierville	13	16,714	1,285
Baptist Memphis	52	60,274	1,159
St. Francis-Park	38	45,020	1,184
St. Francis-Bartlett	30	36,001	1,200
Delta Medical Center	13	26,459	2,035
Total	**353**	**489,294**	**1,386**

Joint Annual Reports of Hospitals, 2011, 2012, 2013, Tennessee Department of Health, Division of Policy,

2013 Service Area Acute Care Hospital Licensed and Staffed Bed Occupancy

Facility	Licensed Beds	Staffed Beds	Licensed Occupancy	Staffed Occupancy
Methodist University	617	416	52.2%	77.5%
Methodist South	156	144	51.5%	55.8%
Methodist North	246	224	69.0%	75.7%
Methodist Germantown	309	309	68.7%	68.7%
Regional One	631	303	39.7%	82.7%
Baptist Collierville	81	81	28.7%	28.7%
Baptist Memphis	706	545	63.3%	82.0%
St. Francis-Park	519	326	46.1%	73.4%
St. Francis-Bartlett	196	156	44.4%	55.8%
Delta Medical Center	243	173	43.8%	61.6%

Source: *Joint Annual Report of Hospitals 2013,* Division of Health Statistics, Tennessee Department of Health

The applicant projects 4,776 visits in year one and 7,127 visits in year two at the Canada Road ED. The combined satellite and Main visits are projected to be 67,190 in year one and 72,639 in year two.

TENNCARE/MEDICARE ACCESS:

The applicant participates in the Medicare and Medicaid programs and has MCO contracts with BlueCare, Volunteer State Health Plan, AmeriGroup, United Healthcare plan of The River Valley, and United Healthcare Community Plan.

Payor	BMH Maine	Kirby Satellite ED	Canada Satellite ED	% of Gross
Medicare	$36,007,110.58	$6,102,521.25	$2,835,801	30.02%
TennCare	$21,582,243.65	$7,286,110.24	$4,316,572.24	22.16%

The applicant project Medicare revenues of $2,835,802 or 30.02% of gross operating revenues, and TennCare revenues of $4,316,572 or 22.16% of gross operating revenues in year one of the Satellite ED project.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:
The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 41 of Supplemental 2. The total project Market Value Construction cost is $13,016,877. The Lease Developer amount is $18,718,029.

Historical Data Chart: The Historical Data Chart is located in Supplemental 1. The applicant reports 255,440, 24,509, and 24,737 discharges in 2012, 2013, and 2014 with net operating income of $8,735,252, $1,252,249, and ($51,468,237) each year, respectively.

Projected Data Chart: The Projected Data Chart for The Main ED is located in Supplemental 1. The applicant projects 57,086 and 58,034 visits in years one and two with net operating income of $5,907,499 and $6,181,607 each year, respectively.

The Projected Data Chart for the Satellite ED and Main ED is also located in Supplemental 1. The applicant projects 67,190 and 72,639 visits in years one and two with net operating revenues of $4,966,087 and $6,955,125 each year, respectively.

Proposed Charge Schedule

	Main ED Year One	Main ED Year Two	Combined Year One	Combined Year Two
Gross Charge	**$1,928.91**	**$2,023.93**	**$2,228.46**	**$2,416.72**
Average Deduction	**$1,664**	**$1,753.80**	**$1,870.94**	**$2,033.71**
Average Net Charge	**$264.55**	**$270.13**	**$357.52**	**$383.01**

There were no viable options to this project. The applicant is unable to expand existing space for the ED in the Main Campus.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:
The proposed satellite emergency department has a JOA to include Regional One and Baptist. Relationships with entities throughout the Baptist System and other providers in the community will continue and build on working relationships and have access to other facilities through the county.

This project is projected to serve the patients who are already in the BMH or ROH networks.

Emergency room physicians will be staffed by Team Health, who staffs all BMH facilities. There will be one physician for each shift. The additional staff positions are provided in Supplemental 1, page 101.

BMH is a strong supporter of educational opportunities throughout the region. Baptist Memorial College of Health Sciences is a specialized college offering baccalaureate degrees in nursing and in allied health sciences as well as continuing education opportunities.

The applicant is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities. The applicant plans to seek Joint Commission accreditation.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

   Not applicable.

2. For relocation or replacement of an existing licensed health care institution:

   a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

      Not applicable.

   b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

      Not applicable.

3. For renovation or expansions of an existing licensed health care institution:

   a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

      The main ED on the campus of BMH-Lakeland has steadily increased in visits and has reached the capacity anticipated when it expanded in 2011. The main ED has been expanded to the extent possible on the land it has available. The applicant reports the expanded emergency room reached 62,451 visits in 2014.

      According to the applicant, the total project is a collaborative initiative to put new capabilities into practice and to address the need for additional capacity to meet demand for patient convenience with the rapidly changing healthcare environment. Patients want shorter wait times, and easier access.

Utilization 2011-2013

Regional One	*51*	*48,189*	*45,189*	*48,985*	*48,985*	*55,963*	*55,963*
Baptist Collierville	*13*	*16,847*	*16,602*	*17,735*	*17,735*	*16,714*	*16,714*
Baptist Memphis	*52*	*56,862*	*56,862*	*58,333*	*58,333*	*60,274*	*60,274*

Joint Annual Reports of Hospitals, 2011, 2012, 2013, Tennessee Department of Health, Division of Policy, Planning, and Assessment

   b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Not applicable.